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ABSTRACT

This report focuses on the proprietary vocational school industry in New York State. Part 1 describes the increases in the utilization of student financial aid programs by vocational schools and the effects of this aid on school enrollment. This part also introduces the role of the New York State Education Department in the regulation of the proprietary vocational school industry. Part 2 discusses how the availability of financial aid has focused the attention of the schools on the most impoverished students because of their eligibility for maximum financial assistance awards. The job placement record of the vocational school industry in New York State is examined in part 3. Part 4 discusses the roles of the various state, federal, and private agencies in assuring quality control at vocational schools. This part also includes two case studies dealing with the ineffective public control exercised over the schools. Part 5 presents the report conclusions and recommendations including the need for enforcement and improvement of existing laws and regulations and for government coordination of funding and regulatory agencies. (JH)

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The Profits of Failure:

The Proprietary Vocational School Industry in New York State

A Report

by the New York State Consumer Protection Board

99 Washington Avenue

Albany, New York 12210

July 20, 1978

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TABLE OF CONTENTS

		Page
SUMMARY		2
PART I:	THE GROWTH OF FINANCIAL AID TO VOCATIONAL SCHOOLS AND STUDENTS IN NEW YORK	11
	The Lack of Data Collection and Coordination	11
	The Growth of Financial Assistance	13
	The Schools, Their Students and the Structure of Regulation by the State Education Department	24
PART II:	THE DISADVANTAGED STUDENT: A $5400 BONANZA	31
	The High Entitlement Student	31
	Commissioned Salespeople	32
	Closing the Sale	34
	Admission Standards As a Sales Tool or Device to Qualify for Financial Assistance	37
	The Results of Rewarding Enrollment Without Monitoring Performance	43
	False Certifications and "Carrying" Students	46
	The Cost of Dropping Out: Refund Policies	52
	Loan Defaults	54
PART III:	JOB PLACEMENT RATES - LEARN TO EARN?	57
PART IV:	WHO IS RESPONSIBLE?	69
	The Federal Government	69
	Accrediting Agencies	72
	New York Higher Education Services Corporation	74
	The State Education Department	76
	Case Study: The Careerco bankruptcy	79
	Case Study: The Washington Business Institute	81
	AOS Schools	85
PART V:	RETRAINING THE REGULATORS	88
	Enforcement of Existing Laws and Regulations	89
	Improvement of Existing Federal and State Regulations	90
	Increased Staff for SED and Other Regulators	93
	Government Coordination	93
FOOTNOTES		94
APPENDIX A:	STUDENT FINANCIAL AID PROGRAMS	100
APPENDIX B:	SCHOOL-BY-SCHOOL BREAKDOWN OF BEOG, TAP AND GSL FUNDS	110

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SUMMARY

PART I of this report describes the massive increase in the utilization of student financial aid programs by vocational schools and the effects of this aid on school enrollment, and introduces the role of the State Education Department (SED) in the regulation of this industry in New York State. The major findings described in this part of the report are that,

--The vocational school industry in New York has flourished not because of the successful training and placement of students, but because of the essentially unregulated flow of state and federal financial assistance.

--At least $67 million annually go to vocational schools and their students from state and federal financial aid programs, supplementing the millions more paid by many students from their own resources.

--Utilization by vocational schools of the three major aid programs rose from $15.2 million in 1974-75 to $56.2 million in 1976-77.

--State and federal agencies responsible for disbursing this enormous flow of money know very little about how the funds are used, exactly how much public money is involved, how much money students actually receive or whether monies owed to students are paid to them by schools.

--The regulation of proprietary vocational schools is the responsibility of the State Education Department (SED). SED is the administrative arm of the Board of Regents. The Constitution of the State of New York places overall responsibility for education in the state with the Regents rather than the executive. SED has only seven school supervisors to oversee the state's

343 residential vocational schools with a combined enrollment of 100,000 students, and while most of these supervisors are based in Albany, the vast majority of schools and students are located in the Greater New York City area.

PART II of the report describes how the availability of financial aid has focused the attention of the schools on the most impoverished students because of their eligibility for maximum financial assistance awards, and it begins an examination of whether this attention has benefited the students. The major findings in this part of the report are that,

--Students, especially those who are from economically-deprived backgrounds and entitled to maximum financial assistance -- generally $5,400 per year -- are viewed as valuable commodities by the schools regardless of their educational achievement or their employability.

--SED has done little to restrain the activities of "fast talking, fast closing" salesmen who generate complaints by students concerning a wide variety of misrepresentations about the schools and the job market, and who at times disguise the fact that they are commissioned salespeople.

--Many prospects are barraged with papers to sign, including applications for financial aid which they often do not understand. As a result they are "overpackaged," saddled with loan obligations that they may not have realized they were incurring, and may not have needed.

--In the rush to enroll as many students as possible, many schools ignore their own entrance requirements, some of which exist only to

qualify the schools for participation in financial aid programs. Schools that overlook these requirements are not doing the unprepared student a favor, as may be seen from the high drop-out rates at schools that enroll almost everyone walking through the door.

--Once the student has signed all of the dotted lines, he may find that the school's interest quickly wanes. The student is then often confronted with overcrowded classrooms, classes he doesn't need or is unprepared for, equipment that is outdated or in short supply or unlicensed teachers.

--Courses of study may not meet the needs of the job market. A 900-hour course at the New York School of Computer Technology costs $3,600, and according to the SED supervisor for the school "this training will only qualify that person for an entry-level position in a trainee capacity."

--Even though SED specifically requires that schools maintain records on student attendance, courses taken and grades earned, state and federal auditors have found that these records sometimes do not exist. Millions of dollars of public funds can hinge upon information contained in these documents, since no claim for refunds by any of the funding agencies can be made without adequate proof that their monies were misspent.

--It is one thing for SED to recognize the importance of attendance standards and quite another for it to compel enforcement. A series of letters over a three-year period between SED and the directors of an upstate chain of beauty schools show that although the Department identified high absentee rates at the schools, no corrective action was taken beyond imploring the schools to change their ways. Once again, the schools are not doing absentees a favor by

"carrying" them, rather than dismissing them as required by SED standards, since students who are carried will incur additional tuition liability.

--More than 30,000 students dropped-out of vocational schools last year, and confronted a state-sanctioned refund formula under which the tuition obligation is "front-ended" by the schools. For example, this formula would force a student enrolled in a one year program with a relatively modest tuition of $2,000 to pay $900 if he drops out after attending for only six days.

—Vocational school students have a guaranteed student loan default rate which is twice as high as the statewide average. The reasons why vocational school students do not repay loans are no doubt complex, but a substantial portion of defaults must be related to one or a combination of the following: disappointment with the school experience, a harsh refund policy that unfairly penalizes withdrawal, or the school's failure to refund monies owed the student.

PART III of the report examines the job placement record of the vocational school industry in New York. Job placement rates are critical to the regulatory process since schools exist for the sole purpose of training people to get jobs in skilled or semi-skilled occupations. The major findings in this part are that,

--Vocational schools are spectacularly unsuccessful in placing students in jobs. School figures show that only 3 or 4 enrollments in 10 lead to employment. Even these results are questionable.

A standard definition for "placement" has not been established by SED. This allows a school that graduated a student as a "medical technician" to report him as a "placement" if he obtains a job sweeping floors in a hospital.

--No agency of the state or federal government evaluates the record of schools' success in placing graduates in positions for which they were trained. Placement rates are not examined as a condition for eligibility to participate in financial aid programs or as a condition of licensing or registration by SED. According to SED's own figures, only 325 new positions in cosmetology will be opening annually for the next 5 years. Beauty school enrollment in NY State exceeds 18,000, and these schools graduate over 7500 people a year. Over $11 million in financial aid funds were spent for students attending NY State Beauty Schools during the 1976-77 year.

--Rarely is a cost-benefit study ever done on the effectiveness of vocational training. However, one city agency did produce such an analysis. State Aid to Vocational Education (SAVE) contracted with Technical Careers Institute to train Home Relief Recipients between March 1974 and March 1975. The performance figures showed that of the 394 students enrolled, 96 graduated and only 2 students were placed in jobs for which they were trained, at a cost to the public of $295,463 per placement.

PART IV of the report examines the roles of the various state, federal and private agencies in assuring quality control at vocational schools, and discusses two case studies that demonstrate

the ineffective public control exercised over the schools. Major findings in this part are that,

--Despite the profusion of standards, regulations and laws, vocational school students, together with the taxpayers who support many of them, are an unprotected class.

--State and federal government agencies cannot effectively monitor their own expenditures because of severe understaffing, lack of coordination, and an inability to retrieve and analyze the most rudimentary data on programs they regulate or administer.

--The decision about which schools should be eligible to participate in federal student financial aid programs is left to accrediting associations composed of proprietary school operators themselves, who approve each others' schools for public funds.

--The State Education Department has more supervisory and enforcement powers than all of the other agencies combined. And yet, NYHESC and HEW, limited staff and authority notwithstanding, have been able to uncover more abuses and deceptive practices in the past two years than SED has in its entire history.

--The Department's lack of preparedness for law enforcement is demonstrated by the fact that it has never established procedures for disciplining the schools. In over 40 years of vocational school supervision by the SED, only two disciplinary actions have been taken against schools, and both of these actions were in response to complaints pressed by an outside agency.

--In April 1977, the Careerco School for Paraprofessionals

went bankrupt, without warning to the 100 students who were then in attendance. Many of these students were saddled with a Guaranteed Student Loan, the proceeds of which they had already turned over to the school in order to pay their tuition, and are unlikely to ever see the money again. That Careerco amassed debts of over $1.6 million indicates that whatever financial information it provided to SED was inadequate, as was the verification of this data by the Department.

--Audits conducted by HEW and NYHESC, concluded that between 1975 and 1977, the Washington Business Institute (WBI) manipulated the TAP, BEOG, and GSL programs to the extent that almost $2.4 million out of the $4.7 million coming from these three programs, or nearly 50% of all financial aid dollars paid to WBI on behalf of students during this period, must be refunded because the money was illegally received and retained by the school.

--The auditors concluded that WBI had certified ineligible students for aid, including many who were not in attendance at the school; had "overpackaged" students for financial aid in excess of their need, and retained the excess funds that should have been refunded to either the student or the bank; had "revised" a large number of enrollment contracts in order to generate more financial aid; and that it had violated admission and retention standards.

--Even though these practices involved many violations of state and federal laws, WBI is still in business, still enrolling students

and still eligible for all financial aid programs.

PART V of this report concludes that,

--Students, especially those from economically-deprived backgrounds, are the intended beneficiaries of financial aid programs, but the true beneficiaries are the vocational schools.

--Revelations concerning the failures of this industry should not lead to a reduction in financial aid programs intended to help the disadvantaged. Rather, all agencies with responsibilities in this field need to step up their enforcement efforts to assure quality control and reduction of fraud and waste.

--Since many of the violations described have criminal overtones, appropriate prosecutorial authorities should be alerted.

--The Regents of the State of New York should establish procedures to assure swift and visible discipline against schools that violate the law.

--The U.S. Department of Health, Education and Welfare and the New York Higher Education Services Corporation should establish procedures to cut off the eligibility to participate in financial aid programs of any schools found to have engaged in substantial abuse of these programs.

--HEW should increase its auditing of possible abuses in the Guaranteed Student Loan program.

--The State Education Department should audit the placement and drop-out claims of the schools since these claims are basic to the industry's sales efforts.

--The Regents should require that AOS schools be subject to the same degree of regulation as other proprietary schools.

--The Regents should examine the extent to which the protections presently contained in the law for students at proprietary schools should be extended to all post-secondary institutions. All state and federal agencies in the field agree that many of the problems described in this report also afflict traditional colleges and universities.

--All agencies should establish uniform record-keeping requirements

--The Regents should define academic standards, which are so important to determine eligibility for financial aid; it should adopt a pro-rata refund policy; it should increase the amount of the bonds required to be posted by the schools to better protect students from losses such as occurred in the Careerco bankruptcy.

--The Regents should also support a proposed FTC Trade Regulation Rule, which would expand the amount of information available to prospects, would give them 21 days to reaffirm their decisions to enroll, and would establish a pro-rata system for calculating the tuition liability of students who withdraw.

--The number of SED school supervisors should be increased substantially beyond its present level of seven people. The additional cost in salaries would be offset by savings in financial aid disbursements.

--HEW and New York State should devote additional auditors to vocational schools.

--All funding and regulatory agencies should coordinate data collection, record keeping and disciplinary actions.

PART I: THE GROWTH OF FINANCIAL AID TO VOCATIONAL SCHOOLS AND STUDENTS IN NEW YORK STATE.

The Lack of Data Collection and Coordination:

On the whole, the vocational school industry in New York has flourished not because of the training and placement of students, but because of state and federal financial assistance. The infusion of public money has enabled the schools to shift their recruitment emphasis away from the uncomfortable ground of having to successfully place students in order to attract new enrollments, to the recruitment of students almost as an end in itself. At least 67 million dollars annually go to vocational schools and their students from public programs, supplementing the millions more paid by many students from their own resources. The disbursement of this money is administered by several state and federal agencies, depending upon the program involved, and the continued flow of dollars from these agencies is dependent upon licensure by the State Education Department (SED). All of these public programs require that the schools adhere to the legal standards enforced by SED, and SED's failure to discipline schools that are in violation allows the flow of public dollars to continue without restriction.

When the Board set out to evaluate the services offered by New York vocational schools, it found that the basic data of public accountability did not exist. State and federal agencies responsible for disbursing upwards of 67 million dollars annually in public money for vocational training know very little about how the funds are actually used. One federal official told us that "data on vocational schools falls within a twilight zone, where information is rarely sought and when it is collected, it's never collected in one spot."

No agency of the state or federal government knows how much money is received by each of the state's vocational schools under all of the many publicly-funded grant and loan programs. Nor does any agency of the state or federal government know how much money each vocational school student receives each year, or whether monies owed the students were paid to them by the schools. Public agencies have rarely audited the schools' representations concerning the amounts of public funds for which their students are eligible. And despite the fact that vocational schools have been licensed by the state for over forty years, no state agency has ever comprehensively audited the industry's drop-out and placement claims. Because of these failures to monitor the performance of the schools, the Board was required to collect, collate and evaluate data on a pencil-and-paper basis, which, if it had been collected and centrally computerized earlier, might have avoided the waste of millions of dollars in students' and the public's money.

The information compiled by the Consumer Protection Board for this report represents the first attempt by any public or private agency to collect, collate and analyze all available data on financial aid programs and the job placement success of New York vocational schools. In spite of the state of the data, and the fact that the Consumer Protection Board does not have subpoena power, this report offers the most comprehensive picture possible on the growth of the largest financial assistance programs. The report also discusses important questions raised by the operation of other

assistance programs available to some vocational schools or their students, such as Comprehensive Employment Training Act (CETA), Veterans Administration (VA) and Occupational Vocational Rehabilitation (OVR). The highly-suspect State Education Department data on drop-outs and job placements has been analyzed with a view toward clarifying the confusing and self-serving conclusions offered by the schools and accepted without question by the Department. The Board has every reason to believe that the conclusions of this report are restrained, and that additional accurate data would only underscore the questions this report raises about whether the students and taxpayers are getting their money's worth from vocational schools.

The Growth of Financial Assistance:

With the availability to vocational school students of Basic Educational Opportunity Grants (BEOG) in 1973 and the Tuition Assistance Program (TAP) in 1974, a "free money" bonanza began. These programs, along with the Guaranteed Student Loan Program, (GSL) which has been available to vocational school students since 1968, made certain students, and consequently the schools, eligible for thousands of dollars a year in cold cash. The poorer the student, the more likely it is that he will be entitled to the full amount of assistance available. Some students are eligible for even more assistance under other programs, such as Veterans Administration, National Direct Student Loan, Supplemental Education Opportunity Grants, and College Work Study. These programs transform the impoverished student into a valuable commodity for the schools,

*Student financial aid programs are summarized in Appendix A, pp. 100 to 110.

regardless of his educational achievement or employability. He is, after all, a High Entitlement Student, a student from a family that is probably dependent on some form of public assistance, although students from families with marginal incomes may also be eligible for substantial amounts of financial aid. Schools target their sales effort toward these students because when a High Entitlement Student enrolls, the school has a government guarantee that the tuition will be paid without regard to the school's success in training the student for a vocation.

New York State's Tuition Assistance Plan (TAP) provides up to $1,800 , depending on the student's income, to pay for the cost of tuition, and tuition only. Vocational school students are eligible for TAP if they are enrolled in a two-year program approved by the State Education Department at a Registered Private Business School. Students in a shorter program may also be eligible for TAP if the program can be credited toward a two year degree/certificate/diploma program.

In addition, the federal government has made available up to $1,400 per year, $1,600 as of July 1, 1978, depending upon the resources of the student and his family, through the Basic Educational Opportunity Grant Program (BEOG). This program is intended to assist students in covering the cost of tuition and other costs--such as books, carfare and living expenses. Most vocational schools in New York that are eligible to disburse BEOG money have met the twin requirements of (1) licensing by the New York State Department of Education, and (2) accreditation by a national accrediting agency,

which is essentially peer review by an association of other vocational school operators. (See Part IV.)

The foregoing programs disburse grants which the student does not have to repay. Loans are also easily available to students of vocational schools, regardless of income. Federally-insured loans, called Guaranteed Student Loans (GSL), of up to $2,000 per year are authorized through the state guarantee agency, the New York State Higher Education Services Corporation. The loans are made by private banks and are fully guaranteed by the federal government; while the student is in school his quarterly interest is paid by the federal government. Students are liable for repayment beginning nine months after dropping out or graduating from the school. If the former student defaults, the federal government fully repays the loan principal plus interest to the bank.

Therefore, as of 1978-79, first-year vocational school students with the highest eligibility may receive as much as $5,400 per year under TAP, BEOG and GSL. Second-year students may receive $500 more than freshmen under GSL, making them eligible for as much as $5,900 per year.

The figures in the following table indicate the total dollars going to vocational schools and students from TAP, BEOG and GSL beginning in 1974 when the schools became eligible to participate in all three programs. Even with no significant growth in enrollments during the present 1978-79 period, these figures will grow

considerably, simply because of increases in maximum award amounts from $4,400 to $5,400 for first-year students (a 23% increase), and $4,900 to $5,900 for second-year students (a 20% increase).

Type of School	1974-75	1975-76	1976-77
Licensed/ Registered	$10,340,289	$24,357,679	$36,925,207
AOS	4,868,107	12,365,294	19,298,797
TOTALS	$15,208,396	$36,722,973	$56,224,004

FUNDS TO VOCATIONAL SCHOOLS AND STUDENTS FROM TAP, BEOG AND GSL, BY TYPE OF SCHOOL.

Source: New York Higher Education Services Corporation; U.S. Office of Education.

These financial assistance totals grew by 270% in the three years between 1974-75 and 1976-77. The following breakdown demonstrates the utilization of all three programs:

Program	1974-75	1975-76	1976-77
BEOG	$ 3,237,951	$ 14,022,420	$ 19,730,294
TAP	2,122,753	7,191,627	11,072,772
GSL	9,847,692	15,508,926	25,420,938
TOTALS	$15,208,396	$36,722,973	$56,224,004

FUNDS TO VOCATIONAL SCHOOLS AND STUDENTS FROM TAP, BEOG AND GSL, BY PROGRAM

Source: New York Higher Education Services Corporation; U.S. Office of Education.

From 1974-75 to 1976-77, utilization of the BEOG program by vocational schools grew by approximately 509%, the TAP program by approximately 422%, and the GSL program by 158%.

--Statewide TAP payments to students in all institutions grew by 134% between 1974-75 and 1976-77, a figure which reflects the more than 100,000 City University of New York (CUNY) students who became eligible for TAP when CUNY imposed tuition charges for the first time in 1976. TAP payments throughout the rest of New York's educational institutions increased only 45% between 1974-75 and 1976-77. During the same three-year period, TAP utilization by vocational schools increased by 422%.[1]

--Statewide, in all institutions, BEOG payments grew almost 300% between 1974-75 and 1976-77, while BEOG utilization by vocational schools increased approximately 509% for that same period.

--Guaranteed student loans to all students in New York grew about 45% from 1974-75 to 1976-77, while loans to students at vocational schools grew 158% during that period.

--In addition, the available statistics show that students at vocational schools received higher TAP awards -- an average of $856 per student -- than the other New York State undergraduates, who received an average of $514 per student.

The figure of $56.2 million represents only the total amount going to vocational school students from the three largest assistance programs--TAP, BEOG and GSL. (See Appendix B for a school-by-school breakdown.) The total amount of public money going to the schools is even greater, but the exact figure cannot be calculated with

certainty because of the failure of many agencies to keep separate records for vocational schools and their students. Other sources include campus-based aid programs, administered by the U.S. Office of Education, veteran's educational benefits, administered by the Veterans Administration, and Comprehensive Employment Training Act (CETA) funds. Unfortunately, these programs do not routinely collect comparable data on aid to vocational school students. We have, however, been able to isolate certain parts of these programs for recent years.

For example, campus-based aid to vocational schools provided an additional $3,290,824 during the 1976-77 school year, according to the following breakdown:[2]

	Vocational/ Technical	Beauty	Business	Total
Students:	13,553	13,194	16,016	42,763
Funds:	$1,026,336	$1,113,443	$1,151,045	$3,290,824

Another means of funneling public funds to students attending vocational schools is through veterans attending school under the GI Bill. Although total veterans' educational benefits to those attending New York State vocational schools is uncertain, using available SED and Veterans Administration (VA) figures, it is estimated that better than $5.7[3] million dollars was expended during the 1976-77 academic year.

Since 1970 (with the exception of 1971 and 1973), the percentage of veteran enrollment at vocational schools has been steadily declining. In 1970, veterans constituted 7.2% of total vocational school enrollments as compared with only 5.0% in 1977. This indicates that schools

are becoming relatively less dependent on veteran's benefits as a source of income. Some schools,however, are still quite heavily dependent on VA funds, according to the State Education Department. For example, SED figures show the following:

	Total Enrollment	VA Enrollment	%
Apex Technical School	785	236	30.1
Chauffeur Training School	244	125	51.2
Manhattan Technical School	631	165	26.1
Roberts Trade & Tech. Schools	792	569	71.8

Another source of income for vocational schools is through the federally-funded Comprehensive Employment Training Act. Title I of CETA provides funds for job training, and a portion of this goes to private vocational schools. Since expenditures must trickle through several layers of federal, state, city and non-profit agency bureaucracy, exact figures for a given period are extremely difficult to specify. However, $2.6 million in CETA funds to vocational schools has been identified.

In summary, it is clear that at least the following amounts of public funds went to students at vocational schools during the 1976-77 academic year:[4]

BEOG	$ 19,730,294
TAP	11,072,772
GSL	25,420,938
Campus-Based Aid	3,290,824
VA Benefits	5,339,712
CETA	2,618,876
TOTAL	$ 67,473,416

It should be reiterated that this 67 million dollar figure represents only the minimum amount of public funds that were received by vocational schools and students during the 1976-77 year.

In reality the figure should be substantially higher, but the unknown amounts from Social Security and other such programs cannot be calculated.

In attempting to project what public disbursements to vocational school students will be during the coming 1978-79 year, past enrollment and program utilization trends indicate that the 67 million dollar figure will increase. But even if enrollment and utilization rates remain constant, the total funds are sure to grow as the result of the 20-23% increases in the maximum amount of aid available to each student under TAP, BEOG and GSL since 1976.

The availability of financial aid can simplify the recruitment process considerably, as the following excerpt from promotional material sent to prospective students by the Midway-Paris Beauty School indicates:

> Midway-Paris Beauty Schools participate in a number of Federally Funded Programs of student financial aid, including separate educational grant programs, and a very desirable low-interest deferred-payment loan program. All our programs are available to full-time students. Part-time students may apply for a loan and one of the grant programs.
>
> We can assist you in applying for this program which can provide as much as $788.00 in aid of a six-month course. Remember grants are a gift, they don't have to be paid back. You can also apply for assistance through the Supplemental Educational Opportunity Grants Programs or the National Direct Student Loan Program.
>
> We urge you to take advantage of the many types of financial aid which are available to you, as a student of Midway-Paris Beauty Schools. These programs do not represent charity.

The connection between this sales pitch and the growth of enrollment at Midway-Paris is clearly shown in records of the State Education Department that were made available to the Board as a result of a freedom of information suit against the Department:

> Enrollment at this school has suddenly increased to 40 day-30 evening. This is somewhat surprising; the school has a history of low enrollment. This increase can be attributed to the BEOG program which has allocated $40,000 to the school.[5]

Current television commercials for Wilfred Academy stress the fact that its students are eligible for up to $1,200 in grant money. While commercials now mention the school's training, (earlier print ads showed only the amounts of aid dollars received by three "typical" Hispanic students), financial aid is still the focal point of the sales pitch.

Once again, State Education Department files indicate the resulting growth in enrollment that emphasis on free and easy money can bring to a school: "Over 90% of the students [at Wilfred] receive attend [sic] under one or more government student aid programs... The enrollment has increased from 222 to 420 in less than one year."[6]

During the 1974-75 school year, the second year BEOG money was available to vocational school students, the Ultissima Beauty Institute received $62,496 in BEOG payments. The next year, 1975-76, students at the school received $412,713 from BEOG--an increase of over 660% in one year. The resulting increase in enrollments was noted in an Education Department field report, which said, "One thing is certain, With the advent of the BEOG program, the enrollment at this, and other beauty schools has increased 200 to 300%".[7]

While these programs were intended to assist young people who might not have gotten vocational training, there is no indication that the State Education Department evidenced any concern about the schools' abilities to accommodate these dramatic increases in the number of students. In fact, files obtained from the State Education Department show that schools were congratulated on the enrollment boom that financial aid programs brought about. Example: In a letter to Wilfred Academy in Brooklyn, State Education Department school supervisor Sarah Borneman wrote that, "This will confirm my visit to your school on Tuesday, August 19, 1975. You certainly are to be congratulated on the increase in registration at the Brooklyn Annex..."[8] This school received $1,176,360 in BEOG for the 1975-76 school year.

To the Wilfred Academy in North Babylon, Mrs. Borneman wrote: "You are to be congratulated on your remarkable increase in registration and in the general business-like impression of the school."[9] This school received about $18,000 in BEOG in 1975-76, and more than $134,000 the following year.

No sector of the vocational school industry has benefited more from financial aid programs than beauty schools. There are 69 schools in the state teaching Cosmetology. They offer instruction in such skills as hair styling, haircoloring, manicuring and related facets of beauty culture. Enrollment at Cosmetology schools during the 1974-75 school year was 10,565. That figure increased by 72% in the 1976-77 school year to 18,217. During the same two-year period, financial

assistance increased at an even faster rate:

Financial Aid Utilization at Beauty Schools	1974-75	1976-77	1976-77
BEOG	$1,226,421	$5,908,921	$7,313,215
GSL	1,440,120	1,660,171	3,950,366
TOTAL	$2,665,541	$7,569,092	$11,263,581

Source: New York Higher Education Services Corporation; U.S. Office of Education.

Financial aid utilization at beauty schools rose 323% between 1974-75 and 1976-77. Participation in the BEOG program during this period rose 496%, and participation in the GSL program rose 174%.

While all beauty schools have benefitted from the rapid infusion of financial assistance, none have demonstrated greater skill in attracting students and money than the four largest chains in New York State--Wilfred Academy, Ultissima Beauty Institutes, Robert Fiance and Continental School of Beauty Culture. According to data gathered by the Board, in 1976-77 these chains received 76% of all GSL funds going to beauty schools, 69% of all BEOG payments and 71% of the total GSL and BEOG funds allocated to beauty schools. Within this select group, the Wilfred chain received in 1976-77, approximately 48% of all BEOG and GSL funds going to beauty schools:

	1976-77 Totals	
All Beauty Schools	Wilfred Chain	Wilfred % of Total
GSL - $ 3,950,366	$ 1,909,765	48%
BEOG - 7,313,215	3,542,869	48%
$11,263,581	$5,452,634	48%

Source: New York Higher Education Services Corporation; U.S.Office of Education.

A more detailed description of financial aid programs is contained in Appendix A, but it should be noted that the flow of money assumes integrity on the part of the schools, and that continuing licensure by the State Education Department is essential to the school's access to public funds. This aspect of the problem is discussed in greater detail throughout this report but it is important to bear in mind that the quality of regulation by the State Education Department affects not only the personal financial contributions made by the students, but also the amount of money paid out of the pockets of taxpayers.

The Schools, Their Students and the Structure of Regulation by the State Education Department:

By law, schools offering vocational courses for which tuition is charged are required to be either registered or licensed by SED. A registered school is a private business school whose curriculum primarily provides training in business-related courses. A licensed school is a private school offering training in all other vocational areas, primarily trade and technical subjects. Certain schools are exempted from the licensing or registration requirements. For example, schools operated by government agencies, schools to train the handicapped and schools offering courses in religion and dance. Registration or licensure by SED is not an endorsement or recommendation. As the Department has stated, "The holding of a license [or registration] by a school means that apparently the school met requirements of the law and regulations of the Department at the

time the license was issued."[10] Schools are required to renew their licenses or registrations on a yearly basis.

Registered business schools offer courses in such subjects as accounting, bookkeeping, business law, shorthand and typing, the purpose of which is to prepare a student for an office-related occupation. Of the 62 registered business schools, 47 (76%) are located in the New York City metropolitan area, and they enroll 39% of all students in New York State attending registered business schools. Course lengths run from Summer refresher courses in typing (Drake Business Schools offer an 8-week course at a cost of $210 dollars), to two-year courses (Adelphi Business School offers a 2-year course in Business Administration and Computer Programming for $2,395 per year). Most schools offer day and night classes. Students may begin their training at some schools on a monthly basis, while at others there are semester start-ups.

Licensed private schools, which account for the bulk of vocational schools and students in New York, offer courses of a trade or technical nature. These offerings range from refrigeration repair, computer operation, and cosmetology to courses in dog grooming, harness racing, bartending, modeling and television and radio broadcasting. The lengths and costs of courses at licensed schools range from a three-week switchboard/receptionist course at PBX Unlimited which costs $170 dollars, to a nine-month course in computer programming at New York School of Computer Technology that costs $3,600 dollars, to some two-year programs that cost over $4,000.

Over 223 (76%) of the licensed schools are found in the New York City metropolitan area, and these schools enroll approximately 92% of those students attending licensed schools.

A third category of school is the proprietary vocational school approved to offer the Associate in Occupational Studies (AOS) degree. This is a two year collegiate level degree similar to that offered at community colleges, but it does not require the student to take liberal arts courses.

New York State has 22 of these schools, including several with multiple locations, for a total of 26 locations. Over 15,700 students were enrolled in AOS schools as of the Fall 1977 term.

Of the 26 locations , 22 (85%) offer primarily business subjects. The most commonly offered degree programs are in Executive Secretarial Studies , which may also include legal or medical specialization , and Business Administration, which frequently includes specialization in Accounting, Management or Marketing. Non-business degrees at AOS schools include Electronics Technology, Fashion Merchandising and Building Construction Technology. Vocational schools granting the AOS degree can - and do - offer shorter, non-degree programs as well. For example, Technical Careers Institute offers a 9-month course in airconditioning and refrigeration mechanics leading to a certificate, in addition to its 2-year program in Electronics Technology leading to an AOS degree.

Unlike their vocational and business school counterparts, tuition for 2-year programs at AOS schools does not vary widely. Generally,

most schools charge annual tuition rates between $2,200 and $2,400. The highest tuition rates are at Taylor Business Institute in New York City, which charges $2,800 per year, or $5,600 for the entire course.

Because of their alleged similarity to Community Colleges, AOS schools are generally not subject to the same degree of supervision by the State Education Department as are the registered and licensed vocational schools. (See Part IV.)

During the 1976-77 school year, approximately 167,000 students were enrolled in all New York State vocational schools.[11] Of these, over 14,900 were in proprietary collegiate level AOS schools, 20,259 in registered private schools, 52,203 are in correspondence schools and the remaining 79,291 are in what are called "residential schools" where students are present for instruction.

VOCATIONAL SCHOOL ENROLLMENT

	Licensed Private	Registered Business	AOS
1967-68	79,601	Not Available	Not Available
1972-73	72,361	Not Available	Not Available
1973-74	99,152	Not Available	7,413
1974-75	128,385	7,801	7,894
1975-76	131,611	21,614	11,316
1976-77	131,494	20,259	14,697
1977-78	Not yet available	Not yet available	15,700

In 1973, the Education Law was amended to include all correspondence schools in the same category as licensed private schools. According to SED, this amendment accounts for the large increase in students between 1973 and 1977, an increase of 59,133 or 82%. In the business school category, the 1974-75 enrollment of 7,801 students

grew to 20,259 in 1976-77, an increase of 160% over a two year period. In collegiate level vocational schools, a 1975-75 Fall enrollment of approximately 7800 rose to a 1976-77 Fall enrollment of 14,900, an increase of 91%.

According to the State Education Department Annual Report, the total number of licensed private and registered business schools under its supervision has increased since 1967 by approximately 22 percent, from 291 to the present 356. This increase is largely attributable to the 1973 amendments of the Education Law which required that business schools be registered. However, during the 1976-77 period, the number of registered business schools increased by 15, so that there are now 62 in New York.

The number of licensed private schools has varied only slightly over the past ten years. SED, in a bit of understatement, attributes this staying power, in the face of a poor economy, to "the infusion of federal and state money through such programs as CETA, BEOG, TAP and guaranteed loans."[12] There are presently 294 licensed private schools in New York.

Vocational schools are regulated by two branches within the State Education Department. The first branch, the Department of Occupational and Continuing Education, is responsible for monitoring the activities of all 356 licensed private and registered business schools. To perform this task, the Department has a total of seven supervisors to perform on-site school inspections, with an average load of over 50 schools per supervisor. Although 76% of the schools are in Greater New York City, only three supervisors

are actually based in New York. The statistics show that a disproportionate number of students attend school in the Greater New York area, and complaints received by our office seem to indicate that a disproportionate number of problems occur in the Greater New York area. SED officials maintain that the gaps are filled by having one of the Albany supervisors visit some New York City schools, but the 6-hour round trip can considerably reduce the time available for the on-site monitoring activities.

SED has complained that inadequate supervision stems from a severe problem of under-staffing. Staff was borrowed from other branches to augment the depleted staff that was left after a reorganization in April 1976. The average case load then was between 75 and 78 schools per supervisor. However, when the State Legislature allocated five new positions to the Department in July 1977, SED delayed for nearly 3 months before hiring additional supervisory personnel.

Supervision of proprietary vocational schools offering the AOS degree is performed by the Bureau of College Evaluation, where on-site monitoring activities are even more lax than for vocational schools. Generally, colleges are evaluated once every four or five years, and the on-site activities are geared more towards an academic assessment of the curriculum than determining compliance with state and federal regulations. The Bureau of College Evaluation has only 5 professional positions to evaluate the 278 schools under its jurisdiction.

According to Dr. Livingston Smith of the Bureau of College Evaluation, the Department has tended to visit proprietary AOS schools more frequently. Visits to these schools, he said, take place on the average of once every 2 to 4 years, but an excessive number of student complaints could trigger an unscheduled Departmental inspection.

PART II: THE DISADVANTAGED STUDENT: A $5,400 BONANZA

The High Entitlement Student:

While the characteristics of vocational school students are not uniform, there nevertheless exists what the FTC staff report called a "remarkable concentration"[1] of students who are poor and who, by the age of twenty, see most avenues of opportunity closed to them. Their high school education has given them less than it has others. Their work backgrounds tend to range from non-existent to those where minimum wages are maximum wages as well. Frequently, the solicitation by a school salesman is the first "career counseling" a prospective student has ever received. In New York City public schools, for instance, there is one guidance counselor for every 1200 students, and these counselors spend most of their time with the college-bound. Many students who are part of this "remarkable concentration" are not likely to be able to evaluate claims about career opportunities. They are even less likely to be able to determine the quality of training needed to qualify for those opportunities that do in fact exist.

The schools cannot be faulted simply for enrolling students who are the targets of special government programs, but a system that encourages enrollment for its own sake is hardly what the creators of these programs envisioned. Surely, many of these young people need a more hopeful view of the future, and it is true that special programs were created to give them that hope. However, it is the rare prospect who can trust a picture of the future drawn by a school that sees not a prospective student, but a $5,400 bonanza.

For too many schools, easy access to financial aid has dramatically accelerated the tendency in this industry to equate "enrollment" with "sales", and suitable enrollees can include all those with a breath of life within them. The practice of enrolling students without regard to the possibilities of success should be distinguished from the so-called open enrollment efforts of some colleges and universities because there is no perceivable effort by the vocational schools to provide the special assistance an unprepared student needs. In fact, a great deal of evidence indicates that the quality of training, such as it was at many schools, has suffered under the weight of sharply-increased admissions.

Commissioned Salespeople:

The first person a prospective student talks with at the school is generally a commissioned salesman, although the prospect may believe that he is talking with a "counselor" or even the "Dean of Students". In many schools salespeople give themselves -- or have bestowed on them by the schools -- officious titles that disguise the salesperson's dollar stake in enrollments, titles such as counselor, representative, registrar, Dean. For example, the Deans of Students at the Drake Business Schools, whatever other responsibilities they may have, also oversee enrollments and receive a 2% to 3% commission on each one. The Washington Business Institute calls its salespeople "Registrars". At other schools the "Director of Admissions" may also be the school owner or a member of his immediate family to whom every enrollment means a bigger bank balance. For example, at Interboro Institute, the Director of Admissions is the owner's daughter.

The distinction between on- and off-premise salespeople is a meaningless one, as an Education Department field report on Empire Technical School (ETS) implicitly acknowledged: "It has always been my impression that [ETS] used a hard sell approach... Outside salesmen are not used but the so-called 'counselors' have that look about them."[3]

Over the course of several years, the Better Business Bureau of Metropolitan New York has sent college interns to vocational schools posing as prospective students. The following excerpts are from the Better Business Bureau's Shoppers' Reports on the Taylor Business Institute (TBI). They demonstrate how education was sold by salespeople to these prospects, who, it should be recalled, knew which questions to ask:[4]

> Mr. Ronson [a TBI sales agent] used various newspaper advertisements to prompt his talk. Phrases such as "good paying job" and others were emphasized.
>
> ...When asked about the school's refund policy in the event the student did not like the school, or preferred to drop out, or found he was not able to do the work, Mr. Ronson told me the school is friendly and remedial work is offered. In pursuing the question, Mr. Ronson told me that refund guidelines are set by State law and I got no further details. On the basis of these questions, Mr. Ronson told me I lacked self-confidence--something the school would help me develop.
>
> ...I was then told that I must make up my mind quickly [about enrolling] as the school is 95% filled for September. Also, tuition is expected to go up, but students enrolling at the current tuition will continue at that rate. ...July 22, 1974.
>
> ...He [the sales agent] said that the school does not want my money if I do not attend but he does not know the refund policy. When I asked who did know the refund policy he really did not answer the question. ...January 9, 1975
>
> ...I asked if after a two year program I would be able to get a job as an accountant. Mr. Coleman replied: 'yes.' ...

...She [the sales agent] said "Well then, since you are so interested I am going to tell you all about the tuition. It is best that you enroll for the new November session because tuition will be increasing soon. So I'll try to enroll you at the old rate.
...October 11, 1977.

...She said they were the best business school in the nation and if they weren't ITT wouldn't be associated with them.
...October 11, 1977.

Closing the Sale:

After having driven home the selling points of a successful future for the prospect, quite possibly paid for with "free" money, the school sales agent (or "registrar", or "dean", as the case may be) is now ready for the "close." Closing the sale for the salesman means, first, getting the prospect's signature on an enrollment agreement under which the student is personally liable. Seven days after signing the agreement the student is liable for 15% of tuition, not to exceed $100 -- even if he does not attend a single class.

In order to facilitate the re-examination of his commitment, SED regulations provide that the student be supplied with a copy of the enrollment agreement.[5] However, a number of complaints reaching the Board and the Better Business Bureau indicate that students very often are not given a copy of their signed agreements, which describe their rights and liabilities, including the right to cancel the enrollment within seven days. As a result, for many students the seven-day "cooling off period" is theoretical at best.

Closing the sale also means getting the prospect's signature on one or more grant and loan applications to insure the school that tuition will be fully paid. Finally, it means getting the prospect

to sign a power-of-attorney that gives the school the power to receive and administer funds paid by government and banks -- with government guarantees -- on the student's behalf. The school's role as agent for the student assures that it will be paid all tuition owed up to the full amount of a student's financial aid, sometimes even before the school has earned the tuition. The power-of-attorney also enables the school to tie the student to the school through a dole system which is described in detail in Appendix A. Even the Medicare and Medicaid programs, both of which have been cited for their share of waste and overreaching of the public purse, do not give providers of medical services such unilateral power over funds paid out by government on behalf of patients.

The Veterans Administration (VA), which has been in the business of dispensing financial aid longer than other agencies, enacted a regulation in 1976 prohibiting schools from taking powers-of-attorney from VA-funded students.[6] The VA found that the power-of-attorney had been abused by many of the schools.

Even when students arrive at the school door with pre-arranged funding, they can be manipulated into applying for still more public money. Technical Careers Institute was used by State Aid to Vocational Education (SAVE) to train Home Relief Recipients in technical skills. The school received $445,000 to train these students. Unbeknownst to SAVE (whose financial assistance covered full tuition and related expenses) the school had these students apply for additional aid totaling $145,900. SAVE estimated that there was an average overpayment of $1,014 per entrant at the school.

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The most consistent pattern of complaints received or reviewed by the Board relate to promises made to students by salespeople, and the gap between these promises and reality will be discussed in detail throughout this part of the report. The sales agent capitalizes on the impression created by the schools' advertising that it is the road to high pay and success. The State Education Department (SED) has, on occasion, acknowledged the problem of commissioned salespeople, but has done little about it. As a Department field report on Commercial Programming Unlimited states, "although the 'registrars' do not go door-to-door, they are, as a whole, fast-talking and fast-closing salesmen".[2]

SED is charged with the responsibility of regulating the activity of the 800 sales agents working in New York. Unfortunately, the laws and regulations affecting commissioned salespeople can be characterized as half-hearted regulation undermined by a loophole. Salespeople who solicit off school premises are required to file an application accompanied by a certification from two people attesting to "good moral character", a surety bond of at least $1,000.00, and certification by the school that the agent is fully informed of school policies and that the school assumes full responsibility for the conduct of its agent. In addition, the regulations prohibit agents from identifying themselves as counselor or by other titles which mislead. However, whatever protections these State registration requirements for salespeople provide, they are not applicable to salespeople who solicit on school premises. Education Law §5004 exempts from the licensing or registration requirements "persons who are procuring, soliciting or enrolling students only on school premises."

In order to insure a maximum profit for the schools, students are often required to take out loans that will assure that tuition is paid "up front". Schools claim that this is necessary as a hedge against slow payment of tuition by the student not eligible for grants, or delays by government in disbursing grant money. But the result is that many students are "overpackaged" -- saddled with loan obligations they do not understand and, frequently, do not need. For instance, a student at the Ultissima Beauty Institute complained that, "In the excitement of attending the school, and not being up as I should have been on how great a businessman could make everything sound, I signed whatever contracts he gave me and also notarized them."[7] Another student, at the Adelphi Business Institute in Brooklyn thought she had enrolled for a six-month course. Later she discovered that she had signed an enrollment agreement for a one-year course and also had signed an application for a loan that she felt she didn't need.

Admission Standards As a Sales Tool or Device to Qualify for Financial Assistance:

Some vocational schools no doubt take their admission standards seriously. A well-administered screening process tells a school that a prospective student has a reasonable chance for success at the institution. But for many schools interested only in enrollments, admission standards serve two other purposes: First, these standards create the impression in the student's mind that he has been evaluated and found to have the aptitude for the course of study being offered by the school. Second, certain admission standards, or at least the appearance of such standards, are required by law to qualify the schools for participation in federal and state financial

assistance programs.

As for the evaluation function of admission standards, the FTC staff report states: "The use of [an admission test] conveys to the prospect that his or her ability is being measured, and that the individual is being carefully screened. In reality, the test results are often meaningless, except as a sales tool."[8] In a letter to the Board concerning the New York School of Computer Technology, a complainant, with the considerable assistance of an attorney wrote,

> I was a student in classes for children with retarded mental development [throughout public school, junior high school and high school]. ...I went to New York School of Computer Technology...around September, 1976, and took a test that they suggested to me and after completion of the test, they told me that I was qualified to be a computer programmer and advised me to take their course of training which was 12 months long and cost me $2,400.[9]

An investigation by the State Education Department concluded, in a letter to this complainant, that "There is no doubt you should never have been admitted to the school."[10]

In general, eligibility for TAP and BEOG requires that the student meet the school's admission standards as approved by State Education Department. Most vocational schools include the possession of a high school diploma or GED among their entrance requirements. BEOG regulations[11] state that those admissions standards must include a high school diploma or GED. However, the U.S. Office of Education has created a limited exception that allows some applicants without high school diploma/GED to be admitted as "special students" and still be eligible to receive BEOG.

TAP regulations do not require that a student possess a high school diploma/GED in order to be eligible for an award. However, most TAP-eligible vocational school programs (collegiate level

proprietary schools that offer the AOS degree and private business schools that offer certificates or diplomas) have as State Education Department-approved admission standards a requirement of a high school degree/GED. Additionally, students enrolled in a diploma-granting program at a private business school must, by State Education Law,[12] possess a high school diploma/GED in order to be admitted. Therefore the official fiction is that virtually all vocational schools require a high school or general equivalency diploma. Schools that enlist students not meeting their approved admissions requirements, or students who have failed entrance examinations, are violating the law if they certify those students as eligible for TAP or BEOG.

These requirements may seem harsh. Certainly we have come to realize that graduation from high school may not mean much, particularly for disadvantaged students. It would no doubt be better to have individualized entrance requirements, so that poor performers with high aptitude are not foreclosed from vocational training. But recognizing this, it cannot be said that schools with phony requirements are doing students a favor. It is not an acceptable alternative to allow the schools to effectively ignore all screening procedures that might indicate a potential student's chances of success. Only the school benefits from the warm body enrolled in a program not suited to his needs and paid for by public funds. The poorly-prepared student might very well profit more from remedial or other special education. In any event, the admission standards discussed here are in fact required by law, and the law is being systematically flaunted by many schools and by the State Education Department.

If the samples taken from available audits are any indication of the scope of this violation, anywhere from one-third to three-quarters of the students in some schools have been certified to receive TAP and/or BEOG money in violation of state and federal law. For example, an initial program review conducted by NYHESC of the McAvoy School covering 1976-77 indicates that a "high percentage of the students in the Diploma Courses do not possess, or did not possess upon entrance to the program, a high school diploma or GED."[13] All were pursuing a post-secondary diploma-granting course, which by definition required that they have a high school diploma. These students did not meet the admissions requirements and therefore should never have been certified by the school to receive TAP. Even the unreliable State Education Department statistics own up to an 89.6% drop-out rate for McAvoy.[14] In 1976-77, the school utilized $332,692 in TAP funds and $665,440 in loan funds.

The federal government is not without its share of responsibility here. As the Director of the Division of Eligibility and Agency Evaluation of the Office of Education has written:

> Inasmuch as the requirements for admission to proprietary institutions are stricter than the requirements which apply to public and nonprofit institutions, the Office of Education has attempted to accommodate proprietary institutions, including cosmetology schools, by taking the position that the enrollment of a small percentage of non-high school graduates would not violate the law.[15]

Thus, by choosing to pretend that vocational schools have "stricter requirements for admission" than, say, Columbia University, OE has created an exception to eligibility requirements for so-called special students, who are non-high school graduates. The Office of Education has informally proposed to define special students to mean that the number of non-high school graduates or non-GED holders in an eligible program should not exceed 5% of the program. The 5% figure is still at the proposal stage and until the exception is clearly defined, it will be abused. In any event, this exception does not envision that just any prospect can become eligible for federal grants. Until the federal government tells the schools--and more importantly the State Education Department--that admission criteria must be taken seriously, many schools will continue their practice of enrolling any warm bodies--and be paid well for it.

Although many beauty schools' license applications to the Education Department indicate that a high school diploma or GED is required for entrance, this requirement is in practice generally ignored. The Education Department has again acknowledged this widespread practice but done nothing about it. Department officials have told Board researchers that they understand the diploma requirement is nothing more than a sham to make the beauty schools eligible for BEOG dollars. Two HEW audits show how these entrance requirements exist only on paper. An audit of the Wilfred Academy (Brooklyn) covering the period from July 1973-February 1976, showed that 54%

of the students did not have a diploma or GED but were nevertheless receiving BEOG payments.[16] Another HEW audit, of the Ultissima Beauty Institute (Flushing) for the period July 1, 1973 through February 29, 1976 revealed that 44% of the students had no diploma or GED but were receiving BEOG payments.[17] The BEOG payments to the Ultissima Beauty Institute in Flushing totaled $340,102 for the period covered by the audit, while Wilfred Academy, Brooklyn, received $616,215 for for the same period.

How serious is this problem? Certainly for beauty schools, the high school diploma requirement is patently absurd. But it is a requirement the beauty schools imposed upon themselves. In addition to requiring one thousand hours of training, State licensing requirements for cosmetology require only an eighth grade reading competency and proof of freedom from communicable diseases. Nevertheless, the beauty schools and the State Education Department together go through a charade of pretending that the diploma standard is a real one, solely because the schools have learned how very profitable it is to be BEOG-eligible.

The Results of Rewarding Enrollment Without Monitoring Performance:

A new enrollee, perhaps still heady from the attention and sense of worth bestowed upon him by the sales agent, often finds that he is on more familiar ground once classes have begun. The "second chance" offered by vocational schools may turn out to be as inadequate as his previous educational experiences. When attention has given way to indifference, too many students are confronted by overcrowded classrooms that may be in a state of disrepair; classes they don't need or are not ready for; classes with students who are ahead of or behind them in skill; equipment that is outdated or in short supply; or unlicensed faculty. For example:

--Interboro Institute (approximately 600 students; tuition range from $2,100 to $2,500 per year): The Board has received numerous complaints about students being assigned courses with almost no regard for their needs or interests, and course offerings that were inconsistent with representations made in the school catalog. A former student wrote:

> The catalog stated that sixty-seven credits were necessary to graduate (plus machine stenography speed of 225 words a minute in various types of dictation). Upon completion of twenty-two months of study [for a two-year course] in June of 1976, I had thirty-one credits. Yet, with only two months of school remaining until so-called completion of the course, I had no fewer than nine course requirements which I had yet to fulfill... Each semester I carried a full schedule of courses. Interboro simply failed to offer the courses to me in my two years at the school. Interboro made no attempt to assist me in completing these courses. They made no attempt to assist me in achieving the requisite number of credits.[10]

--Careerco (approximately 300 students; tuition range $1,700 $2,600): Based upon a complaint filed by the Consumer Protection Board, the New York State Department of Health carried out an investigation that revealed the following:[19]

1. Persons not required for x-ray procedures [in the School's Dental Assistance course] were in the x-ray room during the exposure.

2. X-rays were made for practice without the order of a dentist and without clinical purpose.

3. A radiation installation safety officer and a radiation protection program were not provided.

These were all violations of State regulations. In addition, the investigation also found:

1. The lack of use of a phantom for student practice has resulted in students making all exposures on other students.

2. The fact that students are left to provide their own patients for the exposures they needed to make appears to have placed pressure on the students to x-ray one another.

3. The large class situation (20 students) was not taken into account by the school in providing more staff and seems to have resulted in lack of proper supervision during x-ray exposures.

--Control Data Institute (approximately 450 students; tuition range from $2,400 to $3,000): According to the State Education Department's Supervisory files, the following observations were made concerning the quality of the course being offered:[20]

> The course must be lengthened by 100 hours The four topics included in this change are the languages: COBOL, RPG, Fortran, and Language Assembler. In each of the above areas there was insufficient time to complete the programs required.
>
> There seems to be a serious problem in "down time" regarding the computer - which results in a considerable amount of time wasted by students.

--Wilfred Academy (approximately 450 students; tuition range from $1,600 to $2,100): A State Education Department memo concerning fourteen complaints received about the Wilfred School in Hauppauge concluded: [21]

1. There was lack of overall supervision especially evidenced in the Room III-Annex.

2. There was negligence in securing qualified teachers and in securing the license or permits. There were not enough experienced teachers on the faculty--the rapid turnover was very upsetting to students.

3. The former registrar's misleading statements contributed in large part to the number of complaints.

* * *

6. The school was overcrowded, especially the clinic.

At a Wilfred Academy Annex in Jamaica, N.Y., the State Education Department, in a Field Report dated January 19, 1977 stated: [22]

> Meanwhile students in the new quarters on the third floor which have not yet been approved, are being instructed in one huge room (4000'). The lack of partitions causes distraction, noise and an atmosphere of casual relaxation instead of application to Beauty Culture training. The supervision is lax. The teachers were there but there was no evidence of class instruction.

--Technical Careers Institute (approximately 1500 students; tuition range from $200 to $5,000): According to a petition signed by 25 students in spring of 1977 and sent to State Education Department, a number of complaints were raised concerning a course in Air Conditioning and Refrigeration Mechanics. The students alleged that there was not enough equipment to gain hands-on experience; that the teacher was generally not present in the lab; that no one corrected their work to show them what was right or wrong; that the teachers were unprepared for their classes

to the extent that one was forced to read aloud from the textbook, and another teacher admitted knowing nothing about commercial air conditioning but promised to do his best to learn the field along with the students.

Not only is the delivery system frequently inadequate, but the substance of what is taught may also meet neither the needs of the student nor the demands of the job market:

--New York School of Computer Technology (approximately 500 students; tuition $3,600): This school used to offer a 600-hour course in computer programming at a cost of $2,400 It now offers a 900-hour course in computer programming at a cost of $3,600. What does a student receive for his time and money from this expanded course? According to the State Education Department supervisor of this school Mr. Alfred VanDerzee, this "training will only qualify that person for an entry-level position in a trainee capacity."[23] What does this mean? According to Dr. Kenneth King, Vice Chancellor for University Systems at City University:

> The only benefit this course has to someone entering the job market is that it gives the person a small leg up over a person of similar background with no training...For a programmer trainee, a college degree is often required, preferably in computer science or some related field. In addition, the applicant would need fairly sophisticated logical skills, which would be reflected on an aptitude test. While a college degree is not mandatory, high school graduates completing a computer training course will be competing for jobs with those who have degrees and prior experience in the field.[24]

False Certifications and "Carrying" Students:

Many students do not attend the classes for which their records show they are enrolled. These students usually fall in one of two categories.

First, there are the part-time students who have been falsely certified as eligible for TAP, which is by law only available to full-time students who are in good academic standing. Presently, each falsely-certified TAP student can cost the public up to $1800 per year.

In the second category are the perennially absent -- those students who simply stopped attending when they realized that vocational school was not what they believed, or had been led to believe. The availability of financial aid encourages some schools to "carry" students who should be dismissed for excessive absences. The failure to dismiss absentee students may have less to do with solicitude for their futures than with the fact that a student who is carried for one academic period will incur additional financial liability during the next academic period. However, the full extent of the drain on both the students' and the public's money has yet to be measured because of the intentional or unintentional failure of many of the schools to keep adequate records.

Adequate records establish a paper trail of accountability. Only through close cross-checking of program cards, transcripts and attendance records, can an auditor determine whether students have been certified to receive financial aid in compliance with state and federal law. Even when a student has been properly certified, attendance records tell an auditor whether or not a student's tuition liability, and therefore the public's liability in many cases, is excessive. Transcripts, program cards and attendance records are hardly arcane documents for a school to keep. In fact, section 126.11 of the Commissioner's regulations specifically requires that among other things, records showing each student's attendance, academic progress, courses taken and grades earned be maintained by the school for a period of seven years. But in many schools these records, if they exist at all.

are inaccurate or incomprehensible.

For example, a New York Higher Education Services Corporation (NYHESC) program analyst assigned to the McAvoy School reported:

> To say that the records were unclear, disorganized and unreliable is a bit of an understatement. Not only could I not understand them, but when I asked the Dean of the school to reconstruct a student's program with the use of class-by-class attendance cards, it was very difficult.[25]

Another preliminary NYHESC program review of the Washington Business Institute noted that of the 857 student records examined, 103 students -- 12% of the files reviewed -- were never in attendance during 1975-76 but were certified by the school as eligible for TAP.[26] Over $50,000 was paid to the school as a result of these phantom certifications. The review revealed that a total of approximately 18% of the student records investigated by NYHESC indicated improper certifications.

False certifications may not be limited to such bald deceptions as phantom students. There is a wide range of more subtle mis-certifications. TAP regulations require that students be full-time, that they have met admission standards and that they retain good academic standing. However, the schools' representations concerning these matters have rarely been monitored and audited by the appropriate agencies.

Since 1973, SED standards have required that students who are absent for more than 20% of the length of the course be dismissed.[27] The standard operates as a form of consumer protection for students by terminating a student's tuition obligation at the point where absences exceed 20%.

Many students who do not attend class are not dismissed by the schools as required by SED regulation because a student who continues enrollment will incur additional financial liability, often at public expense. This is what State Aid to Vocational Education (SAVE) found was happening with many of the 394 Home Relief Recipients SAVE had enrolled at Technical Careers Institute with public funds. A performance history memorandum by SAVE reported that "trainees who are failing and/or not attending, are being carried and we are being billed for them. We have recently forced the issue by deducting for absentees and then forcing the school to terminate."[23]

The State Education Department described its policy on absenteeism to the Board as follows:

> Absenteeism has continuously been a problem for those schools serving a student population that have many social, family and personal problems. You are correct in your understanding that the attendance standards state that students who have absences which exceed 20% of the total length of the course are to be dismissed. In these instances, if no extenuating circumstances existed, the Department would insist that the student be discontinued and that any subsequent charges for attendance or absences would be disallowed. It should be realized that students may be granted a leave of absence or attend make-up sessions which would influence the accumulation of absences.[29] (Emphasis added.)

It is one thing for State Education Department to recognize the importance of attendance standards and quite another for it to "insist" that they be enforced by the schools. A glaring example of State Education Department's failure to enforce its own rules is contained in a series of letters over a three-year period between the State Education Department school supervisor and the Directors of the Continental School of Beauty Culture in Rochester and Buffalo. Both schools had records showing high absentee rates, and there is no indication that corrective action was taken beyond writing letters.

The following are excerpts from letters to Continental in Rochester from the State Education Department:

3/19/74 - The absences, on the part of a number of some students, are much too high.

12/16/75 - The attendance registers revealed as usual that a number of students were being allowed to be absent more than the maximum of 20 percent of the total possible attendance. Wouldn't it be possible now that the enrollment is high that these students were not warned and then terminated if they continue to be absent?

4/6/76 - Serious attempts should be made by the school to correct this tendency [excessive absences]. It isn't in the best interests of the school and the students.

8/30/76 - The excessive absence of an appreciable number of students continues to plague the school. It is large enough that it would appear to be to your advantage to give it personal attention.

4/6/77 - The absence rate of a number of students is higher than it should be. It is entirely possible that individuals with excessive absence rates and incomplete student records are those who attend your school via BEOG. It is recommended that immediate steps be taken to rectify the above violations.

Here are excerpts from SED letters to the Continental School of Beauty Culture in Buffalo:

4/18/74 - There are numerous instances of excessive absentee rates;...

2/5/75 - Students do not have the 'right' to be absent one day per week. Students as stated in the enrollment

agreement can be charged for all absences up to 20 percent of the attendance. Perhaps this will aid in reducing the absence rate.

7/3/75 -[t]he Attendance Registers showed that you are allowing an appreciable, and it appears a constantly increasing number of students to be absent for 20% and over of their attendance.

10/15/76 -A number of students as indicated by the Attendance Records persist in being absent well above the mandated maximum. Students who are receiving the BEOG money seem to be among the chief offenders. The proper authorities should be notified that they are not worthy of further funding.

1/25/77 -The Attendance Registers, apparently well kept, indicate that a number of students are still absent more than the mandated maximum of 20 percent of the attendance calculated on a monthly basis.

During the periods of talk and no action by State Education Department, these two Continental schools received over one million dollars in state and federal assistance (no statistics are available on those students who paid their own money):

Continental (Buffalo):

	1974-75	1975-76	1976-77
GSL	$ 27,040	$ 37,165	$ 31,273
BEOG	15,106	53,630	69,311
Total	$42,146	$90,795	$100,584

Continental (Rochester):

GSL	$ 64,755	$141,602	$205,560
BEOG	31,977	130,000	245,235
Total	$96,732	$271,602	$450,795

Source: New York Higher Education Services Corporation, U.S. Office of Education

State Education Department's failure to apply its attendance standards meant that BEOG payments to the schools on behalf of perennial absentees continued without interruption and became quickly encumbered. Had these absentees been dismissed, additional tuition obligationswould have been avoided. In addition, GSL loans

were also encumbered when they might not have been if the regulations had been enforced.

The Cost of Dropping Out: Refund Policies.

The student who has been oversold on the value of vocational education, or who has been mislead about his ability to profit from the training, or who is disappointed by the quality of the facilities and instruction, has a high probability of becoming a drop-out statistic, as did more than 30,000 former students last year. These may not be the only reasons for leaving school before graduation, but whether a particular student's action is related to these factors or to personal reasons, the student who drops out must confront the financial implications of having enrolled in the school in the first place. The question for the student is: how much does he owe?
The question is an important one for the public as well since the student's obligation is in effect the public's obligation if the student is the recipient of government grants or loans.

By regulation of the State Education Department,[30] the State sanctions a refund formula under which the tuition obligation is "front-ended" by the schools. Under this formula a relatively short period of attendance will make the student liable for all or almost all of the tuition for the course. The effect of the formula can best be demonstrated by looking at the tuition obligation resulting from various termination periods. All computations are based on a relatively modest tuition figure of $2,000 for a one-year course.

Student's Termination Point	Student's Obligation On Full Tuition of $2000	
Seven days after signing an enrollment agreement:	5%	$ 100
After one day of classes, but before end of first week:	15%	300
After first week, but before end of first quarter:	45%	900
After first quarter, but before end of first half:	70%	1,400
After first half:	100%	2,000

This tuition formula for terminations bears no necessary relationship to the damages that might be incurred by a school as a result of a student's failure to complete the course. Students who have attended for six days have the same tuition liability --in the foregoing example, $900.00 -- as those who have taken 24% of the course. Termination after 50% of the course, as opposed to after 49%, means liability for an additional 30% of tuition.

It is interesting to note that New York State has a much more equitable refund standard written into its statutory law, but this applies only to out-of-state correspondence schools, and specifically exempts residential vocational schools. Under Personal Property Law §412, a student who cancels a contract with an out-of-state correspondence school is liable only for that portion of the price that represents the proportion of total services actually used or completed. In short, it is a pro-rata refund provision. The student pays for services rendered and no more.

The tuition formula used by vocational schools represents

the sort of damage clause that the common law of contracts views with great hostility, precisely because it is a penalty and not compensation for actual damages. Nevertheless, the formula carries the imprimatur of the State Education Department which has steadfastly refused to alter a regulation strongly weighted in the schools' favor.

Even when a student is due a refund after a school deducts its penalty, some schools fail to pay the balance due the student. An Office of Education Guideline on school examinations states, "Recent compliance reviews have revealed that millions of dollars exist in the form of unpaid refunds due students who have withdrawn from institutions."[31] This money, which by law must be returned to the student within thirty days of termination, has been wrongfully withheld by some schools in New York. In Part IV the results of the federal audit of Washington Business Institute are discussed in detail. That audit revealed that WBI illegally retained over $1.3 million in Guaranteed Student Loan funds which should have been returned to students.

Loan Defaults:

Many vocational school students do not repay the government-guaranteed loans that they have taken to finance their educations, thus triggering the federal government's obligation to repay the banks. According to data compiled by the New York Higher Education Services Corporation (NYHESC), the default rate as of March 31, 1977 for all students under the Guaranteed Student Loan Program in New York State was 11.8%, while the rate for vocational school students

was almost twice as high, 23%.[32] With Guaranteed Student Loans to vocational school students growing at more than 60% a year (three times the statewide average), the 23% default rate may be the beginning of an even more serious trend. Defaults do not appear as part of the statistics until some time after the loan has been taken since students are not obligated to begin repayment until nine months after leaving schools.

The reasons why students do not repay loans are no doubt complex, but a substantial portion of defaults must be related to one or a combination of the following: disappointment with the school experience, a harsh refund policy that unfairly penalizes withdrawal, or the school's failure to refund monies owed the student. The relationship of these factors to loan defaults was examined by the Brookings Institute, which concluded that,

> Tuition refund policy appears to be a key link between high drop-out and high default rates... Failing to obtain what he deems to be an adequate or timely refund of his tuition, he may be unable or unwilling to [repay.] Another type of borrower completes his course of study but then stops payment because he feels that he did not really learn anything or that he did not get a job he had been led to expect.[33]

A column that recently appeared in the Washington Post, entitled, "Why Those Student Loans Should Not Be Repaid," indicates that many vocational school students have what some feel are legitimate reasons for not repaying their loans:[34]

> Of course, it's reasonable to expect these vocational school students to repay their loans too - if they were justly treated. But many were not. It has been well known for years that the guaranteed student loan program was in some aspects a scandal. The uncontrolled release of federal funds for private vocational schools, starting in the late 1960's created an atmosphere of deception and fraud,

entrapping many students whom OE [U.S. Office of Education] now wants to pay up. OE officials generally did little or nothing to protect students - they depended on self-serving accrediting agencies to approve the schools - and in many cases even collaborated in their entrapment.

***

Such students already have wasted their time, their money, and seen their dreams of a better life through a vocational school education shattered. After years of irresponsibly funneling federal money to disreputable vocational schools, OE should try to make amends to these students by cancelling their loans instead of inducing further hardship and anguish by subjecting them to threatening letters and fury of private debt collectors.

PART III: JOB PLACEMENT RATES - LEARN TO EARN?

> They make their placements seem so good, but that is a lot of crap, because the placement stinks and a lot of guys spend a lot of money and have no jobs because of believing that crap.
>
> Letter to State Education Department from a graduate of the Control Data Institute.[1]

On one occasion during the preparation of this report, the Board asked the State Education Department (SED) about the utility of certain courses offered by the Latin American School, courses promoted as preparing people to become airline stewards and stewardesses. This training is not recognized by any of the major airlines, all of which have their own recruitment and education programs. The response by Alfred VanDerzee, SED's supervisor for the school, concluded snidely that,[2]

> I'm not aware of the employment procedures utilized by airlines as to whether or not they, "seek graduates of such courses." At the present time, the Education Law does not require that employers seek graduates of courses approved in proprietary schools.

While the sarcasm may have been idiosyncratic to the author, the statement unfortunately reflects a regulatory attitude that permits many students to be enticed into enrolling for useless courses, often paid for with financial aid and guaranteed loans, all under the impassive gaze of the State Education Department.

SED has occasionally chastised some schools privately for exaggerating their success in securing jobs for graduates, but has never gone beyond warning a school to go and sin no more. For instance, a letter sent by SED to the Empire Technical Institute pleaded with the school:[3]

> Please try to keep your sales people under some restraint. I'm convinced that students are told to expect employment by these people and later, they feel 'ripped off' when the job doesn't materialize. Perhaps a less enthusiastic approach and a clear understanding of the problems involved in placement should be presented to the prospective student. In almost 90% of the complaints, the students claim that they were led to believe that placement was almost guaranteed.

Vocational schools exist to train people for jobs. Students enroll to become beauticians, air conditioning mechanics, computer programmers, dental assistants or to enter some other skilled or semi-skilled occupation. And many schools routinely hold themselves out as providing access to such jobs, quite often without regard to the schools' actual placement rates. The placement rate is the measure of a school's success in delivering what it has explicitly or implicitly promised -- employment in a job for which the student has been trained. The so-called placement data reported by the schools is highly subjective, to say the least. For instance, in a November, 1976 hearing before the Assembly Committee on Higher Education, the President of Careerco stated that a person trained as a medical assistant would be counted as a successful placement, even if that person secured the most menial hospital job, such as sweeping floors, since the graduate would have entered the "field" for which he was trained. Virtually all schools measure their placements as the precentage of graduates who found employment, ignoring the substantial numbers who do not complete their training. Some schools may report only the percentage of those graduates who have "requested" assistance in securing jobs. Still others may use even more questionable standards for reporting success.

The lack of a uniform definition of placement is more than a technical problem. It goes to the heart of the vocational school

industry's promotion. SED's failure to provide a uniform definition of "placement", and its failure to audit the placement claims of the schools, facilitates a form of deception that has become almost endemic in this industry. Furthermore, SED recently gave these self-serving figures official status by reprinting them in unaudited form in its most recent report on vocational schools. However, even these dubious statistics indicate that students and the public may have been oversold on the value of these schools. The figures show that statewide only three or four enrollments in ten lead to a "job". The other six or seven out of ten are drop-outs or people who graduate back into unemployment. The following tables, taken from the SED compilations, show the most recent reported placement rates for registered business schools and licensed private schools. (AOS schools are not required to report placement rates.)

Total enrollees for the Period:	20,259		
(Enrollees still in school:)	(7,201)		
Enrollees out of school:		13,058	
(Graduates with jobs:)		(3,738)	
Enrollees who left school and are without jobs		9,230	(4371 graduates)
			(4949 drop-outs)

DROP-OUTS AND PLACEMENTS:July 1, 1976 - June 30, 1977,
REGISTERED BUSINESS SCHOOLS

Source: SED Annual Report

Therefore 71 percent, or seven out of ten students who left school during this period, did not get jobs according to the schools' own definitions of placements.

Total enrollees for the Period:	76,213	
(Enrollees still in school:)	(27,134)	
Enrollees out of school:		49,029
(Graduates with jobs:)		(20,596)

Enrollees who left school and are without jobs 28,433 (15,560 graduates)
(12,873 drop-outs)

DROP-OUTS AND PLACEMENTS: July 1, 1976 - June 30, 1977,
LICENSED PRIVATE SCHOOLS (Minus Correspondence & Flight Schools)

Source: SED Annual Report

The figures for licensed private schools show that 58 percent, or almost six out of ten students who left school during the reporting period did not get jobs. Once again, these unaudited placement figures rely completely on the schools' own definitions of placements.

Beauty schools provide the best example of the questionable employment data supplied by the schools to SED. Overall drop-out and placement data for these schools do not coincide with the documented decline in jobs available to cosmetologists. Cosmetology schools in New York State report the following:

	Graduates		Drop-outs		Placements	
Enrollment	No.	%	No.	%	No.	% of graduates
18,217	7776	79.0	2162	21.0	5555	71.4

Source: SED Annual Report

According to SED's slavish reproduction of figures submitted by school operators, beauty schools have the second best job placement rate, second only to the garment trades/fashion industry. This is difficult to accept in view of the pessimism of more objective observers of this industry. According to the New York State Department of Labor's Annual Planning Report Fiscal Year 1978,[4] cosmetology ranks in the category of having the lowest probability of job placement -- ranking with Actor and Faculty Member.

According to the State Education Department's own figures, there are 325 new openings in this field a year in New York State. Beauty school enrollment in New York exceeds 18,000 students, and the schools graduate over 7500 students a year.[5]

Even SED is aware that the likelihood of a recent beauty school graduate finding employment is remote. As one SED school supervisor wrote to a Director of one of the Wilfred Academy branches, "In my experience recently graduated inexperienced beauticians can obtain only part-time employment. Your Placement Bureau will probably be effective in the future but certainly 'Hundreds of highly paid positions are not awaiting Wilfred North Babylon Graduates.'"[6]

The chain of eight beauty schools known as Ultissima Beauty Institute is urging students to "get started now on a stimulating and rewarding career in the exciting, ever-growing world of beauty!" The brochure continues,

> Today, more than ever, the opportunities in the dynamic beauty field are tremendous! Outstanding positions are available throughout the world for ambitious young men and women (like yourself) who are able to apply themselves and have the interest in pursuing one of the most challenging careers opened to sell-trained people.

The brochure goes on, "...there is no better time to prepare yourself for a lucrative, self-satisfying, lifetime career in this glamorous field than right now!"

Julia Wood, who for 46 years has run the Beautician's Agency (the only remaining employment agency in New York City that places beauticians and cosmetologists), says that she receives anywhere from 50 to 100 calls a week from recent graduates of beauty schools

searching for "a lucrative, self-satisfying, lifetime career". "I couldn't place these kids if they wanted to work for free," she told the Board. Deputy Commissioner, Paula Feazell of the New York City Department of Employment reported to the Daily News recently that "the occupation is becoming obsolete."[7]

But the schools training people for an occupation that is "becoming obsolete" nevertheless report impressive placement rates. Five schools claimed a 100 percent placement rate, seven between 90 and 100 percent, twenty-four between 80 and 89 percent, eight between 70 and 79 percent, seven between 60 and 69 percent.

Some schools do report more modest success rates. Thirteen schools reported a rate below 60 percent, and two others reported zero placement. The third-largest school in the state, the Continental School of Beauty Culture in Rochester,claimed that 25.8 percent of its graduates found employment.

The President of the Ultissima Beauty Institute branch in Bensonhurst, Brooklyn told us that "No school in the world is placing 100 percent of its graduates and that includes not just vocational schools, but colleges and junior colleges, etcetera." Why then, we asked, did his branch report a 100 percent placement rate? He would have to check further, but assumed that the figure was a "typographical error."

When data is not subject to typographical errors, in other words when an outside agency is seriously monitoring performance, success rates seem to drop dramatically. For instance, State Aid to Vocational Education (SAVE) contracted with Technical Careers Institute to train Home Relief Recipients in technical skills in

two fields--Radio-Television and Electronics Servicing, and Air Conditioning and Refrigeration. Referrals began in March, 1974 and were terminated in March, 1975. The performance figures showed that of the 394 students enrolled, 96 graduated and only 2 students were placed in jobs for which they were trained, at a cost to the public of $295,463.74 per placement.[8]

In addition, what follows are SAVE data on results from other schools where it sponsored students during the period June 1, 1975 through December 30, 1976. 82 of 733 enrollees found "employment".[9]

School	Enrollees	No. Graduated	No. Placed	% of Enrollees Placed
Adelphi Business	46	29	1	2
Advanced Career	10	7	0	0
Airco Tech.	27	20	3	11
Allen School Phys. Aid	6	0	0	0
Announcers Training	18	10	0	0
Apex Beauty	1	0	0	0
Berk Trade	113	56	4	4
Commercial Program	6	6	0	0
Delehanty Inst.	14	7	1	7
Drivers Training	13	12	1	8
Electronic Comp.	1	1	0	0
Germaine School	1	0	0	0
Heffley & Browne	52	21	4	8
Int'l. Career Inst.	45	8	3	7
Kerpel Sch.Dent.Tech.	11	2	0	0
Man.Med. & Dent. Tech.	1	1	1	100
Man. Sch. of Printing	25	12	5	20
Marinella Beauty	1	1	0	0
Medical Aids Train.	4	3	1	25
Merchants & Bankers	16	2	1	6
Midtown Sch. of Business	65	27	11	17
Monroe Bus. Inst.	82	50	23	28
N.Y. Hotel & Motel	3	1	0	0
N Y. Inst. of Diet.	9	3	0	0
N.Y. Sch. Dog Grooming	1	1	0	0
N.Y. Mech. Dentistry	3	2	0	0
N.Y. Sch. Med. & Dent.	1	1	0	0
Pels Sch. of Art	17	2	0	0
Plaza Business	36	26	13	36
Printing Trade	57	31	8	14
Robert Fiance Beauty	9	3	0	0
Roberts Tech. & Trade	16	16	1	6

(continued next page)

School	Enrollees	No. Graduated	No. Placed	% of Enrollees Placed
Superior Career	4	4	1	25
Tyler Barber	1	1	0	0
Upholstery Trades	5	2	0	0
Wash. Heights Beauty	2	2	0	0
Wilfred Academy	11	8	0	0
TOTALS:	733	378	82	11%

In 1975-76 the Private Vocational School Association contracted with New York City Department of Employment to provide training for 1,113 recipients of Federal Comprehensive Employment Training Act funds at member schools. Total cost of the training exceeded $2.5 million. The reported results were somewhat better than under the SAVE program, with the cost per "placement" being $6,400.[10]

School	Enrollees	No. Graduated	No. Placed	% of Enrollees Placed
Adelphi Bus.	59	45	12	20.3
Albert Merrill	21	19	8	38.1
Allen School	59	52	16	27.1
Announcer Train.	18	9	5	27.8
Apex Techn.	26	24	13	50
Berk Trade	28	17	14	50
Concourse Beauty	10	6	0	0
Delehanty Inst.	21	13	4	19
Drake Bus.	60	49	31	51.7
Int'l. Dog Groom.	8	6	2	25
Lehigh Tech.	12	9	4	33.3
Mandl School	30	24	9	30
Man. Sch. Printing	50	37	24	48
Man. Tech. Inst.	32	15	6	27.3
Midtown Sch. Business	63	34	25	39.7
Midway-Paris Beauty	10	8	1	10
Monroe Bus. Inst.	62	46	28	45.2
N.Y. Hotel & Motel	28	19	5	17.9
N.Y. Inst. Diet.	37	25	8	21.6
N.Y. Sch. Dog Groom.	8	4	0	0
N.Y. Sch. Dry Cleaning	97	63	46	47.4
N.Y. Sch. Med. & Dent.	75	64	19	25.3
Plaza Bus.	61	37	31	50.8
Print. Trades	57	41	26	45.6
PSI Inst.	32	19	6	18.8
Robert Fiance	10	5	2	20
Roberts Tech.	22	15	9	40.9
Superior Career	60	43	20	33.3
Tech. Careers Inst.	21	8	1	4.8
Upholstery Trades	36	25	18	50
TOTALS:	1,113	731	393	35.3%

It is important to realize that final selection of these trainees was based upon the schools' own entrance criteria and tests administered by their own personnel. As the placement data suggests, the results were generally very poor. And yet, money continues to flow into these very schools -- schools that have been spectacularly unsuccessful in the training and placement of students.

The Veterans Administration provides a modest exception to the practice of unrestricted aid flowing to schools that are unsuccessful in their placements. In order for a course to remain eligible to train veterans, a school must demonstrate that at least 50% of its graduates find jobs in positions for which they were trained. This requirement is more symbolic than effective because computations are based solely on graduates, and does not count drop-outs. In addition, only those graduates who are available for placement are included within the final computation. Schools can remove from the data any student who did not possess the requisite vocational intention, was on active duty in the armed service, pregnant, changed marital status, was unwilling to move to a new locality, could not be found, or for any other "valid" reason. This requirement is further weakened by the fact that the school may use samples in deriving its data and may decide for itself what will count as a course-related placement. This means that the school may include as "placed" persons who were already actively employed in their field when they enrolled. Even with these severe limitations, the VA requirement at least indicates to the schools that there is some responsibility to insure that those VA students accepted by

the schools are adequately trained so as to find employment.

The tables that follow are the Consumer Protection Board's recompilation of the most recent placement statistics as reported by the State Education Department, organized by major occupational categories. The figures reported by SED represent the percentage of graduates claimed by the schools to have found employment. The "CPB placement rate" represents the percentage of enrollees claimed by the schools to have found employment, a more accurate indicator of an enrollee's chances of successfully completing the training and securing employment. Once again, the placement claims are suspect, but even taken at face value, the record raises questions about the efficacy of much of this training. All figures are for the July 1, 1976 to June 30, 1977 period.

BEAUTY (Sixty-Six Schools)

	8379	Students in school
+	9838	Students out of school (drop-outs and graduates)
	18217	Total enrollment
-	7776	Graduates
	5555	Graduates placed
	2221	Graduates without jobs
	2221	Graduates without jobs
+	2062	Drop-outs
	4283	Students out of school without jobs

Of the 9838 students who left school, 4283 or 44% left without jobs.

State Education Department's reported placement rate: 71.4% ; CPB placement rate: 56%

RADIO & TELEVISION (Eight Schools)

	608	Students in school
+	1444	Students out of school (drop-outs and graduates)
	2052	Total enrollment
	998	Graduates
-	356	Graduates placed
	642	Graduates without jobs
	642	Graduates without jobs
+	446	Drop-outs
	1088	Students out of school without jobs

Of the 1444 students who left school, 1088 or 75% left without jobs.

State Education Department's reported placement rate: 35.6%; CPB placement rate: 25%

DATA PROCESSING (Fifteen Schools)

	4879	Students in school
+	8327	Students out of school (drop-outs and graduates)
	13206	Total enrollment
	5702	Graduates
-	2038	Graduates placed
	3664	Graduates without jobs
	3664	Graduates without jobs
+	2625	Drop-outs
	6289	Students out of school without jobs

Of the 8327 students who left school, 6289 or 76% left without jobs.

State Education Department's reported placement rate: 35.7%; CPB placement rate: 24%

HEALTH OCCUPATIONS (Twenty-Five Schools)

	2431	Students in school
+	4239	Students out of school (drop-outs and graduates)
	6670	Total enrollment

	3285	Graduates
-	2159	Graduates placed
	1126	Graduates without jobs

	1126	Graduates without jobs
+	954	Drop-outs
	2080	Students out of school without jobs

Of the 4239 students who left school, 2080 or 49% left without jobs.

State Education Department's reported placement rate: 64.4%; CPB placement rate: 51%

MACHINE SHORTHAND (Eight Schools)

	807	Students in school
+	716	Students out of school (drop-outs and graduates)
	1523	Total enrollment

	265	Graduates
-	121	Graduates placed
	144	Graduates without jobs

	144	Graduates without jobs
-	451	Drop-outs
	595	Students out of school without jobs

Of the 716 students who left school, 595 or 83% left without jobs.

State Education Department's reported placement rate: 45.6%; CPB placement rate: 17%

PART IV: WHO IS RESPONSIBLE?

> I personally feel that I have been victimized, not only by the school, but by the State of New York who licensed the school. Also, I was deluded by the money lending agencies, whether it be state or federal, who by their willingness to lend money and bestow grants to myself and others, in essence, validated the school's credibility. As a personal concern, I neither have the resources nor the funds to launch an investigation determining the legitimacy of a school such as Careerco.
>
> Letter from a former student at Careerco in Syracuse (now bankrupt).[1]

The activities of the vocational school industry in New York State are subject to varying degrees of regulation and supervision by a number of federal and state agencies. Despite the profusion of standards, regulations and laws, vocational school students, together with the taxpayers who support many of them, are an unprotected class.

The Federal Government:

The federal government cannot effectively monitor its program expenditures for vocational training.

Federal Region II of the Department of Health, Education and Welfare (HEW), covering New York, New Jersey, Puerto Rico and the Virgin Islands, encompasses approximately 700 educational institutions that participate in the many federal student financial aid programs. Prior to 1977, these programs were not even administered as a single unit within HEW's Office of Education (OE). In March, 1977, the Bureau of Student Financial Assistance (BSFA) was created within OE to bring under a single umbrella eight different programs,

including Basic Educational Opportunity Grants (BEOG) and Guaranteed Student Loans (GSL).

Until this reorganization, Region II, which disbursed about $297 million last year under the BEOG program alone, had one person to conduct on-site program reviews. Such reviews are the key first steps to determine whether full-scale audits should be conducted by HEW's Audit Division. The GSL program had two people to perform on-site reviews. Since the reorganization, BSFA has four people to conduct reviews for eight different programs, and the agency says that it plans to visit each of the 700 institutions, including vocational schools, once every three years. However it is very unlikely that reviews will be even this frequent since OE estimates that an average of ten person-days are required for each review.

This very modest deployment of resources to identify fraud and abuse by institutions reflects OE's overall priorities. The agency has decided internally that two other areas are to be given greater attention. According to OE personnel, its first priority is to collect loan payments due from students. Its second priority is the timely payment of claims to banks that have reported defaults by students. These priority items tend to keep the financial pipeline open to institutions. The program review function, the activity that would focus attention on institutional abuse, is third in line.

HEW also has a branch called the Office of Inspector General, which is concerned with criminal investigations and which also includes HEW's Audit Division. The Office has been in existence

for slightly more than one year and is concerned with financial irregularities in any of HEW's gargantuan programs. In its first annual report, the Office of Inspector General stated that $356 million annually was its "best estimate" of fraud, abuse and waste in student financial aid programs nationally.[2] The Office recommended that OE give high priority to examining compliance with federal law by vocational schools.

Nevertheless, HEW audits have been conducted at only three New York vocational schools. This is because so few cases have been referred to HEW's Audit Division by OE's handful of program review people, and because there are not enough auditors. Region II has 70 auditors, which might appear to be more than sufficient for the task until one realizes that HEW expenditures in Region II, through such programs as Social Security, Medicaid and Medicare, run between $40 and $50 billion annually. Furthermore, even when irregularities have been discovered by HEW auditors, the decision about seeking restitution lies with the Office of Education, not the Audit Division. Of the three audits undertaken by HEW's Audit Division, only one (Washington Business Institute) has been partially resolved, and no action has been taken on the other two (Ultissima Beauty Institute and Wilfred Academy.)

Despite the reorganization within OE, it is plagued by an inability to retrieve and analyze the most rudimentary data on programs that it administers. In January of 1978, the Consumer Protection Board requested data on New York State vocational schools participating in the Federally Insured Student Loan Program. (FISL) The Board asked OE to supply figures on the amount of money lent to students under the FISL program organized by vocational school. Six

months later, in June, 1978, the Board received the following reply:

> On February 27, April 10 and April 26, letters requesting information were sent to Gary L. Grayton, Acting Branch Chief, Student Financial Assistance, Implementation and Technical Support Branch. As I reported to you in our June 20, 1978 conversation, this office received a reply from Washington on May 2.
>
> They reported that the information requested was not readily available. Furthermore, if the information was requested under the Freedom of Information Act, it would cost approximately $15,000 to $20,000. A more specific request would be necessary for a formal cost estimate.[3]

The letter failed to explain why such basic information about an Office of Education program was not readily available, or why compiling this data would be so prohibitively expensive.

Accrediting Agencies:

The U. S. Office of Education (OE) has taken the general position that it should be concerned almost exclusively with the financing of vocational education, and that quality control and consumer protection are functions which are reserved for the State Education Department and the national accrediting agencies for vocational schools. Eligibility for participation in OE programs is essentially limited to schools that are accredited by one of several national vocational school accrediting bodies. These accrediting agencies (the National Association of Trade and Technical Schools; the Association of Independent Colleges and Schools; the National Home Study Council; and the Cosmotology Accrediting Commission) are only nominally concerned with quality control and consumer protection.

Accreditation is a peer-review process -- vocational school operators evaluating each other. A school certifies that it conforms

to the accrediting body's very general guidelines concerning such items as the school's objectives, record-keeping, and disclosure of basic information, such as ownership of the school and tuition policies. The accrediting bodies make on-site "inspections" every four to six years. They have no regulatory authority to enforce their guidelines, nor are they equipped or disposed to resolve specific student complaints. Because they are composed of school operators, they come closer to being trade associations than objective evaluating bodies. And because schools would be barred from federal programs without accreditation, school operators are loathe to withdraw accreditation from fellow operators.

In fact, these accrediting agencies work against the public interest by creating the impression in the public mind that the schools have been endorsed by truly objective evaluating bodies. The State Education Department contributes to this myth. In its most recent annual report, SED said that it "encourages accreditation because of the reinforcing and positive effect that results in complying with the standards required for accreditation."[4] Statements such as this assist the accrediting bodies in serving as shields to ward off more effective public control of their profit-making memberships.

Finally, an FTC staff study reported that accreditation had no perceptible effect on the operation of the schools:

> The types of complaints registered against accredited schools are the same as those filed against unaccredited schools and we have no evidence to indicate that accreditation has served to reduce the form, scope, or content of such complaints.[5]

New York Higher Education Services Corporation:

The New York Higher Education Services Corporation (NYHESC) is responsible for disbursing funds under the Guaranteed Student Loan Program (GSL) and the Tuition Assistance Program (TAP). It also disburses funds under several other financial aid programs.

Until 1976, NYHESC was not allocated funds by the State Legislature to conduct audits, and the agency, which had inherited the TAP program from SED in 1974, had no way to determine whether the nearly half-billion dollars it oversees annually were being spent in accordance with law. Since 1976, NYHESC has had funds for four auditors to monitor the TAP program, a program whose expenditures for tuition at both traditional post-secondary institutions and vocational schools are expected to exceed $220 million this year. Initial audit efforts yielded almost immediate results in the form of refunds to the state. In its 1975-76 annual report, NYHESC noted that,

> The Corporation's institutional audit team has proven to be most effective, educationally and fiscally...In the first few months of the audit investigations, the resulting refunds have paid for the annual cost of the auditors twice over.[6]

However, despite these early successes, several audits of vocational schools, potentially involving hundreds of thousands of dollars in refunds to the State, remain unresolved. One reason for this is that the State Education Department had failed to define academic standards for TAP eligibility, leaving vague such terms as "matriculation" and "full time study". SED's failure to define these terms may place NYHESC in the uncomfortable position of

lacking the support of the state agency responsible for regulating education, leaving NYHESC with little control over the funds it is responsible for disbursing. This bind was described in the 1975-76 NYHESC annual report:

> It is evident that a system of need-based aid demands rigorous academic standards at the institutional level. The Corporation cannot, by law, set standards nor does it seek to do so. This is clearly the responsibility of the Board of Regents and the State Education Department.
>
> There are worrying signs of the softening of academic standards for the purpose of enhancing a student's eligibility for tuition assistance. The Corporation's audit team has uncovered some questionable practices relating to institutional certification of program and student eligibility.[7]

The use of the GSL program by schools has received little attention from NYHESC. The agency has taken the position that GSL, where loan defaults are 100% reimbursable by the federal government, are the responsibility of the federal government, and findings of mismanagement are forwarded to the U.S. Office of Education (OE).

At present, it is not unfair to say that prevention and correction of fraud and abuse in the financial aid programs it administers are beyond the capabilities of NYHESC alone. Recognition of this fact led to a Memorandum of Agreement signed by five state agencies on September 1, 1977. The agencies--NYHESC, SED, the Division of the Budget, the Department of Audit and Control and the Department of Taxation and Finance--agreed to cooperate in order to resolve the difficulties in preserving the integrity of state aid to higher education.[8] The Department of Audit and Control has assigned staff specifically to audit student and institutional aid programs.

While a dent has been made in the backlog of questions to be resolved, key decisions affecting possible refunds from vocational schools are still dependent upon the State Education Department.

The State Education Department:

The Education Department is the administrative arm of the Board of Regents, to which it is directly responsible. SED has policy-making, regulatory and enforcement powers that touch on almost every aspect of public and private education in New York, from the pre-elementary through university level. The scope of its powers vary, depending upon the field of education and type of institution, but nowhere does SED have more pervasive power than in the area of private post-secondary vocational training. Over the years, the State Legislature has given the Department the power to monitor and regulate almost every aspect of the profit-making schools' operations, including all forms of advertising and promotion, off-premise salespeople, the adequacy of training, physical plant requirements, attendance standards, record keeping, licensing of teachers, the refund formula for students who do not complete training, and the bonding of schools to protect student tuition in the event of bankruptcy. The Department has the power to discipline schools that violate the law by revoking or suspending their licenses to operate, issuing cease and desist orders, restricting rights, powers or privileges, assessing fines, or any combination of such actions.

Moreover, SED has additional responsibilities that are specif-

ically related to the integrity of financial aid programs. By law, the Department is required to see that the requirements for financial eligibility are met. Students receiving aid must have adequately demonstrated their ability to complete the course of study, must be full-time, fully-matriculated, in an approved program and in good academic standing. These academic criteria, together with the student's personal finances, are the bases upon which State grants and loans are made. When the Higher Education Services Corporation, the State agency responsible for TAP grants, forwards funds to a school on behalf of an "eligible" applicant, it relies on SED's judgment that the school measures up to all legal requirements. Similarly, the federal government also relies heavily on SED to assure compliance with BEOG standards. The information in this report indicates that this reliance is misplaced.

Licensure by SED provides students with little assurance that their interests are being protected, or that one, two or three years of their lives will not be wasted on a cynically-created illusion. After the offending schools themselves, the State Education Department must bear the greatest responsibility for the waste of students' time and millions of dollars in personal funds and public money.

The list of SED failures is long and comprehensive, and the honest segment of the vocational school industry is to be commended for self-restraint in not exploiting the opportunities created by lax regulation.

--The SED has itself been a party to the rampant deceptions in this industry concerning the likelihood of success in school and of job placement after graduation. For years, the Department stood by while wildly exaggerated claims were made by many schools. The Department's complicity was compounded recently when it reproduced, and thereby gave credibility to, the unaudited drop-out and placement claims of the schools. (Part III)

--The SED has failed to curb advertising excesses, the simplest violations to control because they are written or photographic. Instead, it enacted a series of essentially cosmetic changes to its regulations after a Consumer Protection Board report of October, 1976.

--Many schools literally sell education through "fast talking and fast closing salesmen" who generate complaints about misrepresentations concerning the school, the job market, the cost of education, and at times even the fact that they are salespeople. (Part II)

--SED has failed to monitor the schools' compliance with their own entrance requirements, many of which exist only to qualify for financial aid. (pp.37-42)

--SED has failed in many cases to assure that physical plant and equipment are adequate to the course of study and for the burgeoning number of students in some programs. (pp.44-46)

--SED has failed to require that the schools adhere to attendance requirements, and thereby has caused many students, and the public, to incur inflated liabilities for tuition. (pp.47-52)

--SED has for years permitted schools to utilize a near-confiscatory refund formula against students who do not complete

their course of study, and it has refused to alter this policy in the face of repeated suggestions, by the Consumer Protection Board among others, that the formula penalizes both the students and the public treasury. In fact, even the self-serving vocational accrediting associations suggest a refund policy less punitive than that sanctioned by SED. (pp.52-54)

--SED has failed to assure that all aid recipients are full-time and enrolled in an approved program, that they are actually attending classes for which they are enrolled and that they have demonstrated an ability to complete the course, as are required by law. In fact, until recently, SED had not developed definitions of "good academic standing", "full-time study", and other basic terms. They recently defined these terms for collegiate institutions when state audits of these institutions showed that millions of dollars in state funds might hinge on these phrases. Similar action has not yet been taken for vocational schools. The costs to students and the public may be enormous. (pp. 46-43)

The Department's preparedness for law enforcement is demonstrated by the fact that it has never established procedures for disciplinary hearings or other actions. In the over 40 years of regulation of vocational schools by the SED, only two disciplinary actions have been taken against schools and both of these actions were in response to complaints pressed by an outside agency, the New York City Department of Consumer Affairs.

Case Study: The Careerco Bankruptcy:

In April 1977, the Careerco School for Para-professionals in Syracuse filed for bankruptcy, having amassed debts of $1.6 million, with assets of approximately $100,000. The one hundred

students who were in attendance at Careerco had no advance warning of the failure, and in fact were told by the owner of the school that Careerco was closing for an extended spring vacation in order to repair the school's gas lines. The State Education Department, whose supervisory responsibilities include assuring the fiscal integrity of the schools it regulates, found out only several days before the closing that the school "was in serious financial condition and faced the possibility of closing." [9]

Education law §5003 and Regulations §126.8 and .9 establish minimum financial requirements for vocational schools: "resources available, beyond all indebtedness, of at least twenty thousand dollars." In addition to the $20,000 minimum in resources, the commissioner may require an additional performance bond, to insure the "faithful performance of agreements or contracts with students." Failure to adhere to these requirements can result in the withholding of a school's license or license renewal.

It is ironic that, according to SED records, Careerco was the picture of fiscal health immediately before its bankruptcy. Data submitted by Careerco to SED, and used by SED to approve the school's license renewal, showed reported income of $1,486,959 and reported expenses of $1,374,360, leaving an operating profit of $112,599 for the 1975-76 school year.[10] In addition, SED required that Careerco retain a performance bond of $5,000 to insure the faithful performance of the school's contract with its students. That Careerco amassed debts of over $1.6 million indicates that whatever financial information it provided to SED was inadequate, as was the verification of this data by the Department. The amount of the performance bond, in light of the number of students and tuitions charged (100 students paying tuitions ranging from $1700 to $2600 dollars), was on its

face, insufficient to cover potential losses suffered by students.

Although bankruptcy proceedings are still pending, it is clear that those who stand to lose the most, the students, are those whose interests, unlike other creditors, are theoretically provided the greatest protection by Education law and regulation.

Case Study: The Washington Business Institute:

No situation better demonstrates the adverse impact student financial aid has had on vocational schools than the revelations concerning the Washington Business Institute. It also shows clearly how the intended beneficiaries of financial aid, the students, can be transformed into voucher items by some schools. Finally, the situation demonstrates the immobility of state and federal authorities in the face of evidence of massive violations of law.

Audits conducted by HEW and NYHESC concluded that between 1975 and 1977, the Washington Business Institute (WBI) manipulated the TAP, BEOG and GSL programs to the extent that almost $2.4 million out of the nearly $4.7 million coming from these three programs, or nearly 50% of all financial aid dollars paid to WBI on behalf of students, must be refunded because the money was illegally received and retained by the school.[11]

The auditors concluded that WBI had certified ineligible students for aid, including many who were not in attendance at the school; had retained funds that should have been paid to students or banks; had "overpackaged" students for financial aid in excess of their needs; had "revised" a large number of enrollment contracts in order to generate more financial aid; and that it had violated admission and retention standards. 8

Even though these practices involved many violations of laws administered by the State Education Department, the New York Higher Education Services Corporation and the Office of Education, WBI is still in business, still enrolling students and still eligible for financial aid programs. WBI is also still accredited by the National Association of Independent Colleges and Schools. After vacilating for more than one year after it was informed of these violations, SED granted re-registration to WBI on March 1, 1978.

The auditors made the following findings:

--The audit by HEW found that WBI did not enforce either SED's or its own attendance standards in a responsible manner. A sampling of 252 students showed that 182 students (72%) should have been dismissed due to poor attendance, and their tuition liability terminated. Only 23 percent were suspended.

--The entrance requirements approved by SED were not enforced. An audit revealed that 459 students (53.6% of the students reviewed) did not meet the criteria for entrance.

--A large number of enrollment agreements initially indicated that many students during the Summer and Fall of 1975 were in one-year programs, and as such not eligible for TAP. School officials admitted to "revising" many of these agreements so that students would be in TAP-approved programs. The NYHESC program review draft states, "All revisions appear to have been made by the same person and students did not sign the revised agreement, which is a violation of the stated terms of the agreement."[12]

--The HEW audit found that WBI had not made any refunds to the BEOG program for student withdrawals after instruction had

begun. While this finding relates solely to the BEOG program, complaints received by the Consumer Protection Board indicate that other refunds due students were also not made.

--As was discussed on p.40, 103 students certified as TAP eligible--12% of the files reviewed--were never in attendance at the school.

Prior to being eligible to participate in the full panoply of aid programs, WBI was a small registered business school with an average enrollment of 175, engaged primarily in the training of foreign students in American business methods. During 1975-76, the school was authorized to disburse BEOG, NYHESC loans, TAP, SEOG, CWS and NDSL. (See Appendix A for a description of these programs.) At this point, as the school Director said, in a bit of understatement, "the Institute was in a position to compete for American students"[13], using such selling techniques as mass distribution at low income housing projects of flyers advertising both the school and the availability of grant money. Financial aid and the stepped-up recruitment effort caused the school to grow, as its Director stated, "from a small, declining, personally financed foreign student body of good quality, to a growing, grant and loan supported, problematic American student body." From a pre-authorization enrollment of 175, the number of students grew to 225 in July, 1975; 526 in the Fall of 1975; 986 in January, 1976; and finally to 1200 during the remaining 1976-77 school year, a seven-fold increase in two years. As the Director stated, the school was "too successful" in competing for students and as a result, according to the Director, the school had serious clerical and administrative problems. However,

as unsuccessful as the school was at managing these programs, it was wildly successful at generating huge amounts of financial aid money. The following table shows the precipitous growth in utilization of TAP, BEOG and GSL at the Washington Business Institute in a single year:

	TAP	BEOG	GSL	TOTAL
1974-75:	$9,648	$7,000	$194,500	$211,148
1975-76:	$1,151,576	$1,013,176	$1,461,272	$3,626,024

Source: New York Higher Education Services Corporation and U.S. Office of Education

Not surprisingly, WBI had a very good business year during 1975-76, showing a profit that would be the envy of businesses everywhere:[14]

Reported Revenues:	$2,487,708	
Reported Expense:	949,300	
	$1,538,408	Profit (60% of revenues)

The following is a summary of actions taken by state and federal authorities in response to the findings:

OE and NYHESC: These agencies signed a compliance agreement with WBI that essentially required WBI to return all funds to which it was not legally entitled and to correct past abuses. In return for its cooperation, WBI remains eligible for all state and federal aid programs. However, no supervisory mechanism was created to insure compliance, nor was a timetable mandated for the return of the $2,383,420 improperly retained by the school.

SED: After holding the school's license in limbo for well over a year, during which time the school continued to operate at full steam, SED re-registered the school. In a stipulation signed by SED and WBI, the school promised to remedy past deficiencies

and agreed to make restitution for "errors in the processing of student loans and refunds."[15] In addition, the school stipulated that it will henceforth operate the school in accordance with SED laws and regulations. Again, no supervisory mechanism was created to assure compliance. In fact, SED is relying on its regular system of school "inspections", the same system in effect when the violations occurred.

Thus, the actions of these three government agencies have allowed WBI, with its record of egregious abuse, to determine when, how, and perhaps if it will comply with the agreements. Not surprisingly, the Consumer Protection Board has learned from several former students at WBI that they have been declared in default on their guaranteed student loans. These students are among those to whom WBI owed refunds under the compliance agreement. Had the refunds been paid, these students would not be in default.

The WBI case study and the response of government agencies sends a message to the entire industry that there will likely be no penalty for abusing financial aid programs and that, even if abuse is discovered, there is a strong chance that schools will be permitted to keep the fruits of their misdeeds.

AOS Schools:

Halfhearted as the State Education Department's regulation of vocational schools may be, there exists in New York State another whole category of vocational schools not subject to even this tepid form of control. This category consists of those proprietary vocational schools that have been approved by special action of the Board of Regents to offer a collegiate level degree--the

Associate in Occupational Studies (AOS). As of Fall 1977, these AOS schools enrolled over 15,700 students in 26 institutions around the State.

While the AOS degree is also offered at some community colleges as one of several two-year degree programs, the schools discussed here have achieved their collegiate status solely on the basis of having been approved to offer an AOS degree. None of these schools offer any concurrent liberal arts or science curricula. Instead, their course offerings are virtually indistinguishable in form and subject from those taught at traditional vocational schools:

--All AOS schools were originally traditional vocational schools when, in 1971, the Regents granted them approval to offer a collegiate level degree.

--All AOS schools are profit-motivated ventures.

--All but one of the AOS schools are accredited by the same peer associations that accredit other business and vocational schools nationwide.

--The educational objectives of these schools are solely vocational. While some schools may offer a few liberal arts courses, the AOS degree by definition does not require the student to take any of these courses. In addition to the collegiate level programs, these schools offer the same coursesof study as those taught at regular vocational schools. These courses exhibit the same short, intensive characteristics found at their vocational school counterparts.

--Their advertising and solicitation techniques parallel those of licensed and registered vocational schools. Some of these schools also utilize commissioned sales agents.

--An analysis of the utilization of financial aid and concurrent growth in enrollment is identical to that exhibited by traditional vocational schools. And, as might be expected, student complaints are indistinguishable from those by students at licensed and registered vocational schools.

--The State Education Department is unwilling to attest to the truly collegiate nature of these schools and prohibits them from using the word 'college' in their official titles.[16]

The special status of these schools means that there is no distinction between the regulation and supervision of AOS schools and the regulation and supervision of a Cornell or Columbia University. Therefore, AOS vocational schools--like the collegiate institutions to which they are analogized--are exempt from many of the regulations that could serve to curb the excesses of traditional vocational schools.

As pointed out earlier, the growth rate at AOS schools has been enormous, and it closely parallels patterns noted in the rest of the vocational school industry. In fact, these schools utilize more financial aid than any other type of vocational school. During the 1975-76 school year, 75.8% of all TAP funds to the vocational sector went to the 26 AOS schools, while only 24.2% went to the remaining 32 registered business schools.

PART V: RETRAINING THE REGULATORS

Vocational schools are the real beneficiaries of government financial aid intended to benefit students. Like the health care providers who took advantage of Medicaid and Medicare, some vocational school owners have rushed to take advantage of the availability of government money and the government's indiscriminate payment of bills. Like doctors ordering unnecessary drugs, tests, and consultations, they have sold students inappropriate and unneeded services to inflate the government's bill.

The failure to assure quality and cost control inevitably leads to inflation in the cost of government aid programs. In the vocational school industry there is additional waste of equal concern. Many people are wasting part of their lives in courses of study that are not suited to their needs or to the job market.

Waste of public money should be discussed openly, but it would be tragic if students once again became victims through a reduction in public expenditures for financial aid. The high entitlement students that the aid programs have made so attractive to vocational school operators have a special claim to public support for their efforts to develop the self-respect that comes from having the skill to earn a decent living.

Just as it would be unfair to students to arbitrarily reduce public support for vocational education, so would it be unfair to the conscientious sector of the vocational school industry. While

the information in this report indicates that the easy availability of financial aid has adversely transformed much of this industry, some schools no doubt do assist many of their students to become more economically productive, and they do so without overreaching the students or the public treasury. The scrupulous schools would be unfairly injured by financial reductions, just as they are now unfairly tainted by the less-restrained sector of this industry.

We recommend the following reforms:

1. Enforcement of Existing Laws and Regulations

a. Criminal prosecution of the worst offenders will do more to restrain fraud and abuse of financial aid programs by private vocational schools than the creation of volumes of new regulations. The irregularities described in this study and those suspected by the funding and regulatory agencies should be presented to the appropriate law enforcement agencies and determinations made concerning the necessity for criminal action.

b. The Regents of the State of New York should establish procedures for disciplinary action against schools considered in violation of education law, and enforce those procedures with appropriate fines, suspensions or revocations of state licensure/registration.

c. The federal Office of Education (HEW) should establish procedures to cut off the eligibility of any proprietary school to participate in financial aid programs after it has been found to have engaged in substantial abuse of those programs.

d. HEW should increase its auditing of possible abuses of the Guaranteed Student Loan program. The widespread practice of qualifying students for more assistance than is necessary is a significant drain on the public treasure, and policing of GSL practices at specific schools should reduce the level of defaults on these loans.

e. Data submitted to SED, particularly drop-out and placement data, must be systematically audited by the Department, and false information should be cause for immediate revocation of the license or registration. Deceptions concerning students' chances of success after graduation are, along with financial aid, the keystones of the recruitment effort of a large part of this industry. The Department must prevent the schools from making outrageous claims about students' chances of success.

f. Where HEW or the New York State Higher Education Services Corporation have uncovered irregularities sufficient to justify refunds from schools to students, schedules for repayment should be imposed upon the violating institutions and strict compliance enforced by the agency.

2. Improvement of Existing Federal and State Regulations

a. The Regents should require that AOS schools be subject to the same degree of regulation as licensed and registered vocational schools. The State Legislature has determined that proprietary schools require a greater degree of public accountability than non-profit post-secondary institutions. AOS

schools are vocational schools in collegiate clothing and their students require the same degree of protection that should be afforded students at traditional vocational schools.

b. The Regents should also examine the need to protect students and public funds at all post-secondary institutions in the State. Every funding, auditing and regulatory agency in the field of education acknowledges that many of the practices discussed in this report also afflict many of the traditional colleges and universities. These practices, which include questionable certifications of students for financial aid, confiscatory tuition policies for students who withdraw and the failure to keep attendance records, work a hardship on students and the public treasury no matter what the institutional setting.

c. SED and other involved agencies should establish uniform record-keeping requirements for all vocational schools. The requirements should include data on financial assistance, enrollments, admission standards, attendance, academic programs, transcripts, drop-outs and job placements. This data should be routinely collected and audited by the SED.

Had uniform and comprehensive records been available to the Department, it is possible that the outrages perpetrated by Washington Business Institute, Technical Careers Institute and Careerco might have been prevented or halted before thousands of students were defrauded.

d. The Regents should adopt a pro-rata refund policy to replace the confiscatory standard that it now sanctions. A pro-rata refund policy would require that students who withdraw from school after their enrollment agreements are effective will have their tuition obligations computed on the basis of actual services received.

e. The Regents should increase the bonding requirement for schools so there will be no repetition of the chaos, hardship and anguish caused by Careerco.

f. The Regents should adopt academic standards relating to financial aid programs, such as admission requirements and definitions of full-time students.

g. The Regents should support the FTC's proposed trade regulation rule for vocational schools. This rule would increase student protection against hard sell and deceptive techniques used by commissioned salespersons working for private schools by requiring an "affirmation" period of 21 days. During this period, prospective students who have signed enrollment agreements, would reaffirm their intention to enroll by sending a second form to the school. Prospects who do not reaffirm would be refunded all monies paid to the school.

The FTC proposal would also require schools to have pro-rata refund policies and to disclose to prospective students their graduation and job placement rates, the latter expressed as a percentage of enrollees who found jobs rather than a percentage of graduates who did so.

3. Increased Staff for SED and Other Regulators

a. SED has seven supervisors responsible for oversight of the state's 356 licensed and registered schools. This number should be substantially increased. We are certain that the additional cost to the State will be more than recovered through savings in financial assistance programs.

b. HEW and New York State should assign additional auditors to the review of performance by selected proprietary schools.

4. Government Coordination

The funding and regulatory agencies at the state and federal level should establish a council to coordinate record-keeping, data collection, auditing and disciplinary activities. Until this is achieved, there will be persistent fraud and abuse of financial assistance programs within the vocational school industry.

FOOTNOTES
PART I

1. Statewide figures were provided by New York State Higher Education Services Corporation 76-77 Annual Report and United States Office of Education Basic Grant Program Institutional Agreement and Authorization Reports, dated 6/30/75, 9/23/76 and 7/24/77.

2. United States Office of Education Memorandum, dated December 13, 1977.

3. This figure represents a "best estimate" using a formula approved by the VA. The number of veterans reported by SED to be enrolled in private vocational schools--excluding those at AOS schools -- was multiplied by the minimum 3/4 time monthly rate being received by veterans under the GI bill for the 1976-77 year. Since most vocational programs run at least 6 months in length, this figure was then multiplied by 6.

[N x ($292.00 x .75)] x 6 =
[4,384 x ($960,096)] x 6 =
x 6 =

= $5.76 million

The VA reports substantially higher veteran's enrollment -- 7,717 -- for this same period. As such, the CPB estimate is probably conservative.

4. Letter from Paula Feazell, Deputy CETA Operations Director, to Consumer Protection Board, dated March 24, 1977.

5. State Education Department Field Report, March 19, 1975.

6. State Education Department Field Report, August 19, 1975.

7. State Education Department Field Report, September 23, 1975.

8. Letter from State Education Department to Wilfred Academy, Brooklyn, August 21, 1975.

9. Letter from State Education Department to Wilfred Academy, North Babylon, January 26, 1976.

10. Forward to SED Directory of Private Schools in New York State, April 1, 1977.

11. State Education Department Annual Report, July 1, 1976/June 30, 1977 [Hereafter Cited as SED Annual Report] and State Education Department Information Center on Education.

12. SED Annual Report, page 12.

FOOTNOTES
PART II

1. Federal Trade Commission Report: Proprietary Vocational And Home Study Schools, December 10, 1976, p. 38 [Hereafter Cited as FTC Report].

2. State Education Department Field Report, January 1, 1975.

3. State Education Department Field Report, March 5, 1976.

4. Better Business Bureau of Metropolitan New York Shoppers' Reports on the Taylor Business Institute, dated: 7/22/74, 1/9/75, and 10/11/77.

5. 8(A)NYCRR 126.7(a).

6. Department of Veteran's Benefits Circular, #20-76-84 Appendix D, revised, February 23, 1977.

7. Letter to the Better Business Bureau of Metropolitan New York, dated December 16, 1974.

8. FTC Report, p. 143.

9. Letter to the Consumer Protection Board, dated February 14, 1973.

10. Letter from State Education Department, dated March 29, 1978.

11. 20 U.S.C.§1088.

12. Education Law §5002(5).

13. New York State Higher Education Services Corporation draft report program review of The McAvoy School.

14. SED Annual Report, p. 46.

15. Letter from John R. Proffitt, Director Division of Eligibility and Agency Evaluation to Joel Korban, Financial Aid Officer Richard I School of Beauty Culture, dated July 6, 1977.

16. Report on Audit of Operations Under the Basic Educational Opportunity Grant Program, Wilfred Academy of Hair and Beauty Culture, Brooklyn, New York, November 26, 1976.

17. Report on Audit of Operations under the Basic Educational Opportunity Grant Program, Ultissima Beauty Institute, Flushing, N.Y., December 17, 1976.

18. Letter of complaint to The Better Business Bureau of Metropolitan New York, dated February 17, 1977.

19. Letter from New York State Department of Health to Consumer Protection Board, dated July 19, 1977.

20. State Education Department Field Report, January 27, 1976.

21. State Education Department Memorandum to the Wilfred Academy at Hauppauge, dated February 3, 1977.

22. State Education Department Field Report, January 19, 1977.

23. State Education Department letter to the Director of the New York School of Computer Technology, dated January 31, 1977.

24. Letter from the Consumer Protection Board to Dr. Kenneth King confirming his evaluation of the curriculum of the New York State School of Computer Technology, dated March 10, 1978.

25. New York State Higher Education Services Corporation program review draft report of The McAvoy School.

26. New York State Higher Education Services Corporation program review draft report of the Washington Business Institute.

27. State Education Department Attendance Standards, October 1, 1973 and June 1, 1977.

28. State Aid to Vocational Education (SAVE) Performance History of Technical Careers Institute, dated March, 1975.

29. State Education Department letter to the Consumer Protection Board, dated March 22, 1978.

30. 8(A)NYCRR 126.7.

31. Federal Audit Guide for School Examinations, Chapter four.

32. Information compiled for the Consumer Protection Board by the New York State Higher Education Services Corporation.

33. Orlans, Private Accreditation and Public Eligibility, Brookings Institute and the National Academy of Public Administration Foundation (October 1974), p. 404.

34. Carper, "Why Those Student Loans Should Not Be Repaid," Washington Post (January 15, 1978).

FOOTNOTES
PART III

1. Letter from student to the State Education Department, dated November 10, 1975.

2. Letter from Alfred C. VanDerzee of the State Education Department to the Consumer Protection Board, dated January 16, 1978.

3. Letter from the State Education Department to the Director of the Empire Technical School, New York City, dated April 7, 1976.

4. New York State Department of Labor, New York State Annual Planning Report Fiscal Year 1978, p. 97.

5. State Education Department, Office of Occupational and Continuing Education, New York State Plan for Occupational Education, Fiscal Years 1978-82, p. 95.

6. Letter from State Education Department to the Director of the Wilfred Academy, North Babylon, dated October 3, 1975.

7. Carver, "The Trade Schools: Big Jobs And Gyps," New York Daily News (June 12, 1978).

8. Student Aid to Vocational Education (SAVE) memorandum on Technical Career Institute.

9. Student Aid to Vocational Education (SAVE) placement data, cumulative from June 1, 1975 to October 29, 1976.

   On May 5, 1977, the Office of the State Comptroller reported its audit of the Work Relief Employment Project of the New York City Human Resources Administration, under which SAVE operated. The audit reported that, overall, between 1974-75, 398 people were referred to vocational schools for training, at a cost of $676,300 dollars. Only 16 (1.78%) of these HR students were actually placed in employment at the end of their training. "This high cost of placement did not include stipends for lunch and carfare, or public assistance amounts paid to the WREPers [HR Recipients] while in training and prior to placement." Audit Report NYC-49-76

10. Private Vocational School Association Manpower, Inc., Summary Report of Placements.

FOOTNOTES
PART IV

1. Letter from a former student at Careerco in Syracuse to Congressman Richard Ottinger, dated April 11, 1977.

2. Department of Health, Education, and Welfare, Office of Inspector General Annual Report, April 1, 1977-December 31, 1977, Exhibit I.

3. Letter from Department of Health, Education, and Welfare Region II to Consumer Protection Board, dated June 20, 1978.

4. SED Annual Report, p. 3.

5. FTC Report, p. 323.

6. New York State Higher Education Services Corporation 1975-76 Annual Report, letter from the President.

7. New York State Higher Education Services Corporation 1975-76 Annual Report, page 10.

8. Memorandum of Agreement, entered into by the Higher Education Services Corporation, the Department of Audit and Control, the State Education Department, the Department of Taxation and Finance and the Division of the Budget, dated September 1, 1977.

9. State Education Department Field Report, dated April 4-6, 1977.

10. Data provided to the Consumer Protection Board by the State Education Department, March 30, 1977.

11. HEW Audit Agency Report, Washington Business Institute and New York State Higher Education Services Corporation 1975-76 Re-Certification Report for Washington Business Institute.

12. New York State Higher Education Services Corporation Program Review Draft of Washington Business Institute.

13. Washington Business Institute response to draft of Program Review, prepared by Michael J. Wilson.

14. Data provided to the Consumer Protection Board by the State Education Department, March 30, 1977.

15. Stipulation signed by the State Education Department and Washington Business Institute, dated March 1, 1978.

16. 8(A)NYCRR 3.29. Two AOS Vocational Schools, Jamestown Business College and Albany Business College, are exempted from this prohibition by 8(A)NYCRR 3.29(b) which exempts corporations that used the word "college" in their corporate names prior to the enactment of chapter 378 of the Laws of 1892.

APPENDIX A: STUDENT FINANCIAL AID PROGRAMS

The bulk of the public funds going to vocational schools comes in the form of student financial assistance. Most of this financial aid is "need-based" in that the lower the student's income and the greater the educational expense, the larger the amount of aid received.

Student financial aid is essentially a voucher system. An eligible student may use these funds at any of a wide variety of approved post-secondary educational institutions.

The programs, which are both state and federally funded, are usually in either one of two forms: low interest loans for which repayment begins nine months after the student graduates, and grants which have no repayment obligations attached.

The following provides a brief description of each program:

Name: Basic Education Opportunity Grant (BEOG)

Administered by: U.S. Office of Education (OE) in the Department of Health, Education and Welfare.

Purpose: The program is designed as the foundation or floor upon which all other aid is based. Funds may be applied to tuition, as well as to other educational expenses such as books, carfare, and room and board.

Amount: Grants from $200 - $1600 per year depending on income and resources of the student's family, and the amount of the student's educational expenses.

Student Eligibility: In addition to meeting the income requirements, a student must be enrolled at least half-time in an approved program at an eligible institution, working towards a

degree, and must also be a U.S. citizen at the time of application for the grant, or intending to become one.

Program Eligibility: The school must be licensed by the State and accredited by the appropriate national accrediting agency. BEOG eligible programs at each school are approved individually, and must be at least six months in length leading to a degree, diploma or certificate. In addition, the program must require a high school diploma for admission, although not all students must have a high school diploma to be eligible. When program approval is given by OE, it is assumed that the school is meeting all State requirements.

Application and Disbursement Procedures: The student fills out the appropriate application, and within 4 - 6 weeks receives a Student Eligibility Report from OE telling him how much he is entitled to if he enrolls full-time in a program of at least eight months duration. The student then brings the application into the school where he is registered.

Although BEOG is intended to be assistance from the government to the student, it is actually the school that receives the funds. Prior to the start of each academic year, the school estimates the number of BEOG-eligible enrollees, and the average anticipated award of each. The Office of Education then authorizes the school to "draw down" that amount from a previously established bank account in the school's name. If the school feels that the number of BEGO recipients will exceed their initial estimates, it simply notifies OE, and additional disbursements in the school's name are authorized.

OE requires that BEOG awards be given to students at least in two separate disbursements, usually one each semester. Schools may also disburse BEOG awards on a weekly or monthly basis if they so desire, creating a kind of "dole system". In addition, a school may deduct from each BEOG award any monies the student owes to the school for tuition, fees or any other charges. At most vocational schools, a student receiving only BEOG will probably never see any money since most tuition charges are greater than the largest BEOG award.

Name: Tuition Assistance Program (TAP)

Administered by: N.Y. State Higher Education Services Corporation (NYHESC)

Purpose: To provide funds for lower and lower-middle income students attending post-secondary schools. Funds are to be used for tuition charges only.

Amount: Grants from $300-$1800 annually, depending on the taxable income of the student and his tuition charges. A student's total grant may not exceed his annual tuition charge. Award schedules are weighted to prefer younger students living with their families who are attending private or proprietary institutions.

Student Eligibility: In addition to meeting income requirements a student must:

a) be full-time
b) be matriculated in an approved post-secondary program in N.Y. State leading to a degree, diploma, or certificate
c) be in good academic standing
d) have demonstrated the ability to successfully complete the course of study
e) have been a resident of N.Y. State for one year prior to the term when he is first applying for aid
f) not be receiving aid which duplicates the purpose of his TAP award (pays for tuition and tuition only)

Program Eligibility: The program must be in a collegiate level institution or in a registered private business school, and must be at least two years in length leading to a degree, diploma or certificate. In collegiate level institutions, programs shorter than two years in length may be TAP-eligible if they are creditable towards a degree, diploma or certificate. Programs must be approved by the State Education Department on an individual basis. Thereafter NYHESC assumes continuing compliance with SED regulations.

Application and Disbursement Procedures: The student fills out the appropriate application, and within four to six weeks receives notification from (NYHESC) on the size of his award, and the number of terms for which he is to receive funds.

During the first month of the term, the school receives a "claim" from NYHESC listing all of their students who applied for TAP, and the amount of aid each is entitled to receive. The school must then certify to the State that each student on the claim has met the described eligibility requirements. Those students who do not meet those requirements must be deleted from the claim. Approximately four weeks after the list has been sent, the school receives a check for 75% of the total amount of the claim. The school then sends the corrected claim back to NYHESC, where the total is adjusted to reflect the non-eligible students. A check for the remaining 25% of the claim minus the awards of the deleted students is then sent to the school. This process is repeated at least once each term.

If the student's outstanding tuition charges are greater than his TAP award, the school may apply the entire award to his account.

If his outstanding charges are less than his TAP award, the school may apply the appropriate portion to his account, and must refund the remainder to the student for his own use. Students who have paid their tuition out of their own pocket or who have received aid from other sources are usually those due refunds.

Name: Guaranteed Student Loan Program (GSL)

Administered by: N.Y. State Higher Education Services Corporation (NYHESC) Funding supplied by the U.S. Office of Education, Department of HEW

Purpose: To provide funds to students at all levels of post-secondary education to pay for tuition and all other education-related expenses. These are low-interest loans -10%), and repayment starts nine months after the student as left school.

Amount: Loans of up to $1500 for students attending schools that are not nationally accredited. All other freshmen are eligible for up to $2000 per school year, sophomores and beyond are eligible for up to $2500. Students whose families' incomes are under $25,000 are eligible for subsidized interest payments while attending school.

Student Eligibility: The student must be enrolled at least half-time in an approved post-secondary program leading to a degree, diploma or certificate. He must also be a resident of N.Y. State at the time of application. (Non-residents may apply for an identical program administered by OE called Federally Insured Student Loan Program-FISL). In addition, a student "budget" (anticipated aducational expenses) must be established using nationally accepted financial aid criteria, which takes into account other sources of financial aid. The student's loan amount may not be greater than the difference between his budget and his other financial aid.

Application and Disbursement Procedures: A student may pick up an application either from his bank or from the school. When the student portion of the application is completed, the school must then draw up a budget to determine the amount of the loan as well as certify information about the student's academic status. When the application is completed, the student brings it to the bank to be processed. Schools may not forward applications to the bank for mass processing. The bank forwards the application to NYHESC for further processing and notifies the bank of the loan's acceptance within a period of six weeks. The bank then informs the student, and requests that he sign a promissory note citing the terms of repayment and the finance charges. When the note is signed, the student receives his check.

While the student receives the check, almost all GSL and FISL payments are two-party checks, requiring both the student and the school to endorse them. A school is allowed to apply the proceeds to cover any amounts owed them by the student. However, the difference between the loan amount and the student's financial obligations must be refunded within thirty days.

The following U.S. Office of Education Programs fall into the category of campus-based financial aid. Although all or part of the funds are provided by the Office of Education, students apply to the school, not to the government for aid. Schools are allowed to appropriate 3% of the gross funds to cover the administrative expenses involved in handling the programs.

Program: Supplemental Education Opportunity Grant (SEOG)

Administered by: Individual schools

Purpose: To provide up to one half the cost of attending school for needy students.

Amount: Varies based on need. Awards range from $200 - $1500 per year. Funding cannot exceed one half of the student's need and must be matched evenly with other aid.

Student Eligibility: Same as for BEOG, plus demonstrated additional financial need.

Program Eligibility: Same as for BEOG.

Application and Disbursement Procedures: Students must file a Financial Assistance Form to determine the level of their financial need. Unlike BEOG, the allocation of these funds is up to the school, not the Federal government. Allocation also depends on availability of funds, since SEOG is not an entitlement program.

Program: College Work-Study (CWS)

Administered by: The individual schools and/or the student's employer.

Purpose: To provide a limited income for students attending school.

Amount: Hourly wages vary from the federal minimum wage of $2.20 per hour, and up. During the school term, the student is limited to a maximum work week of 20 hours.

Student Eligibility: Same as for SEOG.

Program Eligibility: Same as for SEOG. In addition, there are limitations concerning the employment of College Work Study Students. Non-profit institutions may use federal funds to employ these students on their own campuses. Proprietary

schools, however, may not, and are required to place the student with a non-profit agency. The student's salary is composed of 80% federal funding and 20% institutional funding.

Application and Disbursement Procedures: Application for CWS is the same as for SEOG. Generally, a proprietary school will contract with a non-profit agency for the employment of its students. Actual salary, however, is disbursed by the school, not the employer.

Program: National Direct Student Loan (NDSL)

Administered by: Individual schools.

Purpose: Same as for SEOG.

Amount: Varies based on need. Loan amounts are limited to a total of $2500 for the first two years of undergraduate study, and a total of $5000 for all undergraduate work.

Student Eligibility: Same as for SEOG.

Program Eligibility: Same as for SEOG. In addition, the school must match federal capital with a one-ninth contribution.

Application and Disbursement Procedures: Application for NDSL follows the same procedures as SEOG. The student must sign a promissory note upon receipt of the loan, and for each cash advance. Repayment of the loan principal, plus 3% interest begins nine months after graduation, with a total of ten years to repay.

Program: Veteran's Educational Benefits

Administered by: Veteran's Administration (VA)

Amount: A veteran with no dependents attending school full time is eligible for $311 per month in benefits. A full time veteran student with one dependent is eligible for $370 per month. With two dependents, he can receive $422 per month. Each additional dependent beyond that qualifies the veteran for an additional payment of $26 per month. A veteran attending school three-quarter time will receive monthly benefits at the rate of 3/4 of the full-time schedule. Veterans attending half-time will receive half the full-time schedule.

Student Eligibility: A student must be a veteran or the child or spouse of a deceased or 100% disabled veteran, who is enrolled in at least a half-time program. If the student attends less than half-time, the VA will only pay for tuition and fees up to the half time rate.

Program Eligibility: Program approval is the responsibility of the NY State Education Department, Bureau of Veteran's Affairs, which is funded by V.A. Programs are approved on an individual basis. The school must be licensed and have been in existence for at least two years. Each program must be able to demonstrate 50% job placement for graduates in order to maintain its eligible status. When a new program is added to a school's offerings, it must have been in existence for two years before being able to certify its students for VA benefits.

Application and Disbursement Procedures: The student fills out an application. The school certifies that the student is

enrolled in a VA-eligible program, and is attending the requisite number of hours each week. The application is then forwarded to the VA where the applicant's veteran status is verified. The VA forwards the check to the student's home on a monthly basis, unless the student requests that it be mailed directly to the school. In cases where the check is mailed directly to the school, the VA has adopted a policy that forbids schools to use a power-of-attorney to cash the student's check.

Except for VA, all of the foregoing financial aid programs are covered by regulations which require that funds must be disbursed to students at least twice per year, preferably at the beginning of each term. Some vocational schools have adopted a policy of creative compliance with this regulation, and have turned the disbursement of funds into a procedure designed to keep students on the dole. Instead of receiving one lump sum, students are given small amounts on a weekly or bi-monthly basis. This, in effect, keeps them tied to the school, increasing their length of attendance -- and their tuition liability. It also allows the school to have use of the student's money for a longer period of time, the equivalent of giving the school an interest-free loan.